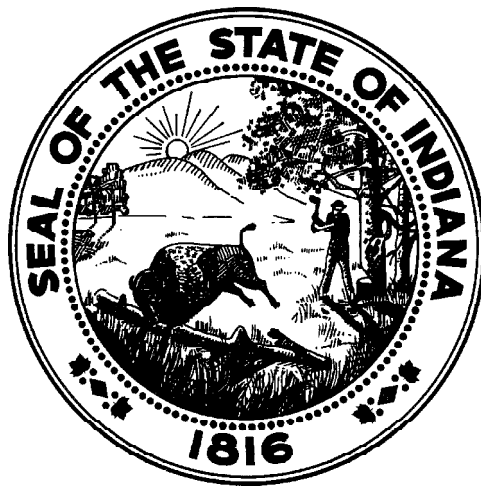


Indiana Department of Revenue ANNUAL REPORT



October 1, 1998

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LETTER FROM THE COMMISSIONER

October 1, 1998

The Honorable Frank O'Bannon
Governor, State of Indiana
State House, Room 206
Indianapolis, Indiana 46204

Dear Governor O'Bannon:

It is my pleasure to present to you a copy of the Indiana Department of Revenue's ninth annual report. The report provides you and the Indiana Legislative Council with a summary of the Department's accomplishments, as well as meeting all legal requirements set forth by the Indiana Taxpayer Bill of Rights.

As Commissioner, I attest that the Department is in compliance with IC 6-8.1-3-2.5 that states the Department can neither include the amount of revenue collected or tax liabilities assessed in the evaluation of an employee; nor impose or suggest production quotas or goals for employees based on the number of cases closed.

Sincerely,

Kenneth L. Miller
Commissioner

THE ORGANIZATION

Mission Statement

The Indiana Department of Revenue will administer the tax laws of the State of Indiana in an equitable and courteous manner to promote the highest degree of public trust and voluntary compliance.

Motto

"Committed to public trust and service."

Department Divisions

Administration

Sections: Commissioner, Deputy Commissioner, General Counsel, Director of Operations, Taxpayer Advocate

The Indiana Department of Revenue operates under the direction of Commissioner Kenneth L. Miller who was first appointed by Governor Evan Bayh in 1992, and reappointed in 1997 by Governor Frank O'Bannon. In addition to Commissioner Miller, four main components of administration assist in overseeing the entire agency. These four administrative component members are: Deputy Commissioner, Larry McKee; Legal Counsel, Lettice Otero; Director of Operations, Robert Scott; and the Taxpayer Advocate, Sally Sawyer, who oversees the Problem Resolution Program.

Audit

Sections: Audit Billing/Inquiries, Audit Review, Audit Selection, Communications/Training, Computer Systems, Investigations, Operations Manager, Travel and Supplies, and Special Tax Liaison.

This division promotes voluntary compliance throughout the state and the country in all Indiana tax areas through quality examinations. This division is also responsible for the Department's 11 district offices located throughout Indiana.

Collections

Sections: Correspondence, Billings/Agent, Phone Pursuit, Title/Licensing.

This division provides centralized management in the collection of delinquent tax liabilities.

Compliance

Sections: Administrative, Aeronautics, Bankruptcy, Charity Gaming/Not-for-Profit, Corporate Income Tax, Individual Income Tax, Responsible Officer, Strategic Compliance, Utility Refund, Withholding Tax.

This division develops, tests and implements projects that identify non-filing, noncomplying taxpayers for corporate, individual, sales/use, and withholding taxes. This division works with corporate and partnership filings and refers appropriate taxpayers for audit. All information for filing and registration of not-for profit organizations is conducted by this division, as well as issuance of charity gaming annual licenses. Research of tax records of bankrupt individuals and businesses is also identified by this division for possible identification of tax liabilities.

Controller's

Sections: Budget Analyst, Business Administration, Accounting/Counties, Electronic Funds Transfer (EFT), Cigarette Tax and Other Tobacco Products.

This division handles budgeting and purchasing for the Department under the guidance of the Controller. Other responsibilities include depositing of tax revenues, preparing appropriate reports and conducting all related banking functions. The Controller's Office administers those taxes collected by the state and returned to the county of origin. This division also handles the inventory and sale of cigarette tax stamps.

Criminal Investigation

Sections: Case and Data Management, Charity Gaming Enforcement, Controlled Substance Excise Tax, Motor Fuel Tax Evasion, Motor Vehicle Excise Tax, Operations & Investigations, Internal Affairs.

This division conducts investigations of alleged violations of the Indiana tax laws and secures necessary evidence to determine civil liabilities or to recommend criminal prosecutions. This division also is responsible for the administration of Controlled Substance Excise Tax, the compliance program for the Motor Vehicle Excise Tax, Employment Agency Licensing, and Charity Gaming enforcement.

Fuel & Environmental Tax

Sections: Gasoline, Special Fuel, Prepaid Sales Tax, Environmental Taxes, Registration, Bonds & Licensing, Audit Support, Mail Services, Records Management.

This division is responsible for all aspects of fuel and environmental tax administration, including assessment, protest review, customer service, and compliance initiatives.

Information Technology

Sections: Administrative Services, Operations, Systems & Programming, Technical Support.

This division supports the Department's efforts and goals by creating and administering computerized tax processing systems for the other divisions of the Department. This division operates with a goal of providing tax processing systems that are increasingly easier to use; providing better service to the taxpayer and constantly improving efficiency; and maintaining secure and confidential records.

Legal

Sections: Appeals, Litigation, Inheritance Tax, Fiduciary Income Tax, Protest Review.

This division contains the Department's legal staff, which oversees the appeals process from the original tax protest to the Indiana Tax Court. This division also contains the Inheritance Tax Section which collects tax on all taxable transfers of property resulting from the death of an Indiana resident, or a nonresident decedent with real or tangible personal property located in Indiana.

Motor Carrier Services

Sections: Motor Carrier Fuel & Road Tax, IRP (International Registration Plan), Insurance & Safety, Oversize & Overweight Permits.

This division provides tax and registration services for motor carriers. This division collects the tax for the International Fuel Tax Agreement (IFTA), issues registration numbers (US DOT) to all motor carriers, and works with the Single State Registration System (SSRS). The division also issues oversize/overweight permits and collects Indiana fuel and road taxes.

This division is located at the Ameriplex Office Park on the southwest side of Indianapolis, and serves as a "one-stop shop" for the trucking and transport community.

Personnel

Sections: Training, Administration, Affirmative Action, Wellness, Payroll/Benefits.

This division administers all "human resource" aspects within the Department including employee and supervisor training, wellness programs, recruiting, payroll and benefits, labor relations, governmental regulatory administration, and assists with employee morale programs.

Problem Resolution Program

Sections: Taxpayer Advocate and staff.

The Problem Resolution Program (PRP), under the direction of the Taxpayer Advocate, is designed to address complex and special tax problems. The primary goal is to correct exceptional tax problems. The secondary goal is to identify and restructure departmental processes and procedures which may have created or contributed to legitimate problems. A taxpayer's problem is considered exceptional if attempts at resolution through normal departmental channels have been unsuccessful; or an ongoing, continual problem exists with the filing of tax returns; or continual assessments result from systematic processing problems.

Public Affairs

Sections: Media Inquiries & Publicity, Form Development & Revisions, Education, Practitioner Services, Tax Preparation Software, Indiana TaxFax, Internet.

This division handles all media inquiries; internal and external education; and tax form revision. This division also administers the Indiana TaxFax form distribution system, coordinates content for the Department's website and approves software companies who produce Indiana tax preparation software.

Quality Assurance

Sections: Quality Systems, Quality Improvement.

This division oversees the development, testing and ongoing changes to the Department's new Returns Processing System (RPS). Phase One (individual income tax) of the RPS implementation was completed in January 1997. This system will eventually house the processing of all of the Department's listed taxes. This division will continue to oversee Phase Two (corporate and business tax types) & Phase Three (trust taxes) of the RPS implementation, all of which are to be completed by January 1, 2000.

Returns Processing

Sections: A/R Payments, Administration, Batch/Edit, Central Mail, Check Processing, Computer Support, Data Control Corporate, Data Control Individual, Data Entry, Forms Processing, Mail Opening, Print Shop, Records Management, System Services, Systems Training, Unidentified Payments.

This division is located at the Park Fletcher Business Center in Indianapolis. This division is responsible for the receipt, processing, storage and retrieval of tax documents.

Tax Policy

Sections: Policy Research, Fiscal Analysis, Technical Tax Research, Legislative Affairs.

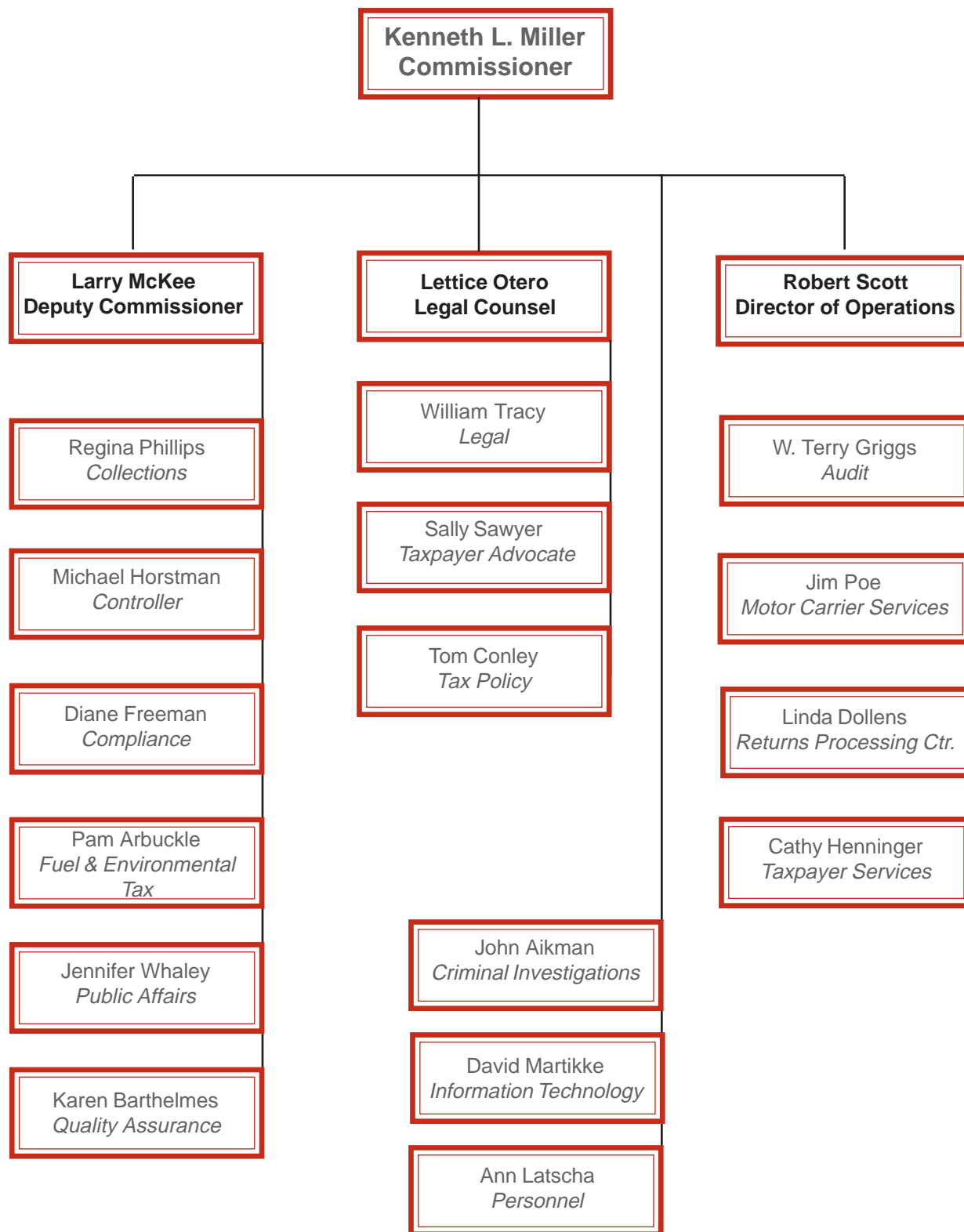
This division primarily works with legislative efforts, serving as a legislative liaison for the Indiana General Assembly. This division also is responsible for all voluntary compliance agreements that are completed with previously unregistered taxpayers. The division issues rulings, policy directives and some information bulletins, as well as helps to determine the correct interpretation of the law. The division provides tax statistics to both federal and state agencies as well as to other states.

Taxpayer Services

Sections: Assistance Center, Correspondence, PC Support, Research & Support, Telephone Contact, Automated Information Line.

This division provides free-of-charge walk-in and telephone assistance to Indiana taxpayers. This division combines many direct contact functions generally involving three major tax types: individual income tax, sales, and withholding taxes.

ORGANIZATIONAL STRUCTURE



The Indiana Department of Revenue employs 934 people as state employees.

DISTRICT OFFICES

Bloomington

410 Landmark Avenue
Bloomington, IN. 47403
(812) 339-1119

Clarksville

1446 Horn Street
Clarksville, IN. 47130
(812) 282-7729

Columbus*

430 Second Street, Suite A
Columbus, IN. 47201
(812) 376-3040

Evansville

500 S. Green River Road
Goodwill Building, Suite 202
Evansville, IN. 47715
(812) 479-9261

Fort Wayne

5800 Fairfield Avenue, Suite 200
Fort Wayne, IN. 46807
(219) 456-3476

INDIANAPOLIS (Main Office)

Indiana Government Center North
Room N105
100 N. Senate Avenue
Indianapolis, IN. 46204
(317) 232-2240

Kokomo

117 East Superior Street
Kokomo, IN. 46901
(765) 457-0525

Lafayette

100 Executive Drive,
Suite B
Lafayette, IN. 47905
(765) 448-6626

Merrillville

8368 Louisiana Avenue,
Suite A
Merrillville, IN. 46410
(219) 769-4267

Muncie

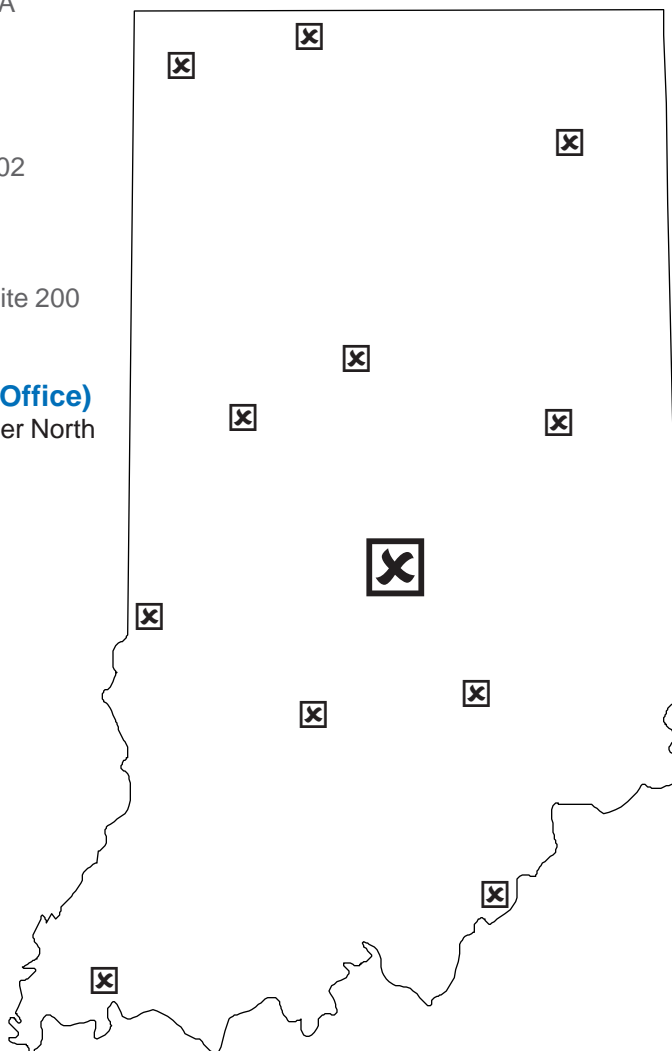
3640 N. Briarwood Lane, Suite 5
Muncie, IN. 47304
(765) 289-6196

South Bend

1025 Widener Lane, Suite B
South Bend, IN. 46614
(219) 291-8270

Terre Haute

30 N. 8th Street, 3rd Floor
Terre Haute, IN. 47807
(812) 235-6046



TAX TELEPHONE RESOURCES

Automated Information Line

Check on status of refunds;
prerecorded tax topics; tax
liability balances.
(317) 233-4018

Collection/Liability Inquiries

(317) 232-2165

Corporate Tax Information

(317) 232-2189

Indiana TaxFax

Call from the telephone portion
of your fax machine to retrieve
tax forms and information
bulletins.

Available 24-hours.

(317) 233-2329

Individual Income Tax Information

(317) 232-2240

Internet Access

Access to forms, information
bulletins and directives, tax
publications, e-mail, and the
PC-Filing Program.

www.ai.org/dor

Sales Tax Information

(317) 233-4015

Tax Forms Order Line

Available 24-hours

(317) 486-5103

Telephone Device For The Deaf

(317) 232-4952

Withholding Tax Information

(317) 233-4016

May relocate. Please check local listings

A YEAR IN REVIEW: FISCAL YEAR 1998

July 1, 1997 - June 30, 1998

1998 Tax Filers Didn't Come Unglued - Form Revision Reaps Success

The elimination of a separate address label and newly revised instruction booklets and tax forms were well-received by the public this year. In comparison to last year's complaints over balky income tax envelopes and address labels not sticking in 1997, customer satisfaction with the quality of the booklet was high. This year also marked the first year that the Department was able to have the taxpayer's name and address printed directly on the outside of the tax booklet thus eliminating a label altogether. In addition, the taxpayer's social security number was eliminated from the outside cover, but strategically placed on the first tax form inside the booklet. To assure quality with this year's tax booklet, the Department sent representatives from the Public Affairs and Controllers' Division to review the booklets on-site with the printer. Some three million tax booklets and returns were printed for the Department's distribution this tax filing season.

Included as a new form this year was the IT-40EZ. Similar in many ways to the federal 1040EZ form, it was designed to streamline the filing process for those taxpayers having minimal deductions as well as certain other requirements. The Department found that 334,556 taxpayers took advantage of the new form this year. The use of the IT-40EZ should assist the Department with a smoother implementation of the Federal/State Joint Telefile pilot program scheduled to take place in 1999.

Department's Returns Processing System Is Enhanced and Finds Success

The Returns Processing System was first implemented in January 1997 and began processing some 2.5 million individual income tax returns during this first year of operation. Revenue employees, for the first time ever, were empowered with the ability to locate and fix a tax return immediately, a process that previously, under the old system, could take up to six weeks to complete. The new system provides the ability to add a return online allowing a refund to be generated instantaneously. Revenue employees can now demonstrate to the taxpayers of Indiana how much quicker and easier this new system is able to respond to their needs. Taxpayers should expect better communication and quicker response once a problem is discovered. Improved letters showing line-by-line detail of how their return was filed and changed are being sent to thousands of designated taxpayers.

The 1998 processing season issued more individual income tax refunds by the end of the fiscal year than in the previous processing year. The Department continues to improve the processing qualities of the Returns Processing System with each tax season to better serve the taxpayers of Indiana in every aspect. Two major enhancements added to the system are the ability to direct deposit individual income tax refunds for those taxpayers who file electronically and PC-filing as an alternative to paper return filing.

The processing of corporate income tax returns was added to the Returns Processing System in June 1998, along with the ability to register all business taxpayers. The Department will continue to enhance the Returns Processing System to ensure corporate income tax filers enjoy similar advantages as those realized with the individual income tax application. Development of Phase III (trust taxes) of the Returns Processing System started in April 1998 with an anticipated implementation date of January 1999. All applications are Year 2000 compliant.

Department Develops Its Wellness Program

The 1998 fiscal year found the Department making great strides in the development, direction and growth of its Wellness Program. In general, the purpose of the program is to encourage and develop a healthier work environment that is supportive of positive health and wellness behaviors. In order to fulfill this purpose, the program began focusing on personal and organizational development this year.

In the area of personal development, the Wellness Program turned its attention towards creating comprehensive programming designed to help employees change attitudes, set goals, and make plans to promote optimal functioning. Major programs in this area included holding wellness fairs and activity programs, as well as bringing on board the Marion County Health Department's **Heart Alive** Program! This particular program is an all-inclusive heart health education and cholesterol screening program consisting of multiple health screenings and nutritional educational sessions for employees. The program began at the beginning of 1998 and will run for 12 months.

The second and primary purpose of the Department's Wellness Program, organizational development, was addressed by providing information and resources to facilitate culture change and integration of wellness as a vital function within the Department. Major programs in this area included developing peer educators for an in-house ergonomics program, expanding the wellness advisory committees, and working with management to facilitate change and improvement in each division's daily functions.

Department's Fuel & Environmental Tax Division Moves Towards A Paperless Office

By leveraging Internet technology, the Department's Fuel & Environmental Tax Division began setting up a paperless office in 1997. Using an e-mail browser, employees of the division can now distribute documents and information to all internal users at the touch of a button. Gone are the days of printing the document, making photocopies and distributing the copies to each employee. The documents are simply e-mailed via the Intranet (internal office Internet).

All users are standardized on computer software allowing staff to communicate and share information consistently throughout the division. Drafts for edit are distributed electronically and the receivers can post individualized comments to assist the author all without printing a single piece of paper.

The e-mail function proved to be a great time-saver last year. The entire division utilized an e-mail address book setup with individual employee addresses, as well as group e-mail addresses. For example, if information needed to go to the Refund Section, the sender would only need to type in the group name and all users assigned to that group would receive the message. Therefore, improving the turnaround time in sending information to all users, whether the message be from a fellow co-worker or supervisor.

In addition, correspondence with the public and other governmental agencies, both in Indiana and nationally, was improved via e-mail. In the past, if a taxpayer requested a copy of a statute, the division would have traditionally made photocopies and mailed the information to the taxpayer. The taxpayer would have received the statute several days later. Today if the taxpayer also has Internet access, the requested information can be e-mailed to the taxpayer and/or the division can e-mail the taxpayer the link to the Department's web site address where they can download the entire Indiana Code if they like.

By utilizing the Internet and e-mail, the future is looking brighter. Each day we realize new ways to utilize this form of communication. From this division's experience and success, other departmental divisions can successfully follow suit. And, as a result, better and faster customer service, along with more efficiency will be provided to taxpayers in the state of Indiana.

Motor Carrier "One-Stop Shop" Opens!

The Department's newly formed Motor Carrier Services Division coordinated and finalized the attainment of a leased facility in early 1997. This action enabled the eventual completion of a 10-year project to form a "One-Stop Shop" (single point of contact) for Indiana motor carriers (i.e., semi/18-wheeler trucks, etc.). This marked Phase III of a project that began when the Motor Carrier Authority Section from the old Public Service Commission moved to the Department of Revenue. The idea of such a "one-stop shop" originated under the administration of then, Governor Robert Orr.

In 1995, the Department was chosen as the centralized agency to administer the one-stop shop concept, which initiated Phase II. The International Registration Plan (IRP) was moved to the Department from the Bureau of Motor Vehicles and merged with the International Fuel Tax Agreement (IFTA) as was the Indiana Department of Transportation's Oversize/Overweight (OSOW) Section.

The Motor Carrier Services Division obtained a new facility on Indianapolis' southwest side and moved at the end of June 1998. The new facility will offer a more accessible service location for the Indiana trucking and transport community. The "One-Stop Shop" will provide comprehensive services for motor carrier taxpayers, including International Registration Plan (IRP) license plate filings and International Fuel Tax Agreement (IFTA) tax filings. In addition, intrastate operating authority, Indiana US DOT numbers and Indiana intrastate safety certification for "for-hire" carriers will also be provided at this office. Also joining the Department at the new facility, are personnel from the Indiana State Police specializing in motor carrier enforcement, personnel from the Indiana Department of Transportation and some former staff from the Indiana Bureau of Motor Vehicles.

Direct Deposit of Tax Refunds Offered To Taxpayers

In an effort to offer new ways to make the Federal/State Electronic Filing Program more attractive to the public, the Department established direct deposit of individual income tax refunds to those taxpayers filing electronically this year. The addition of the direct deposit option certainly gave taxpayers more immediate access to their state tax refund, especially by eliminating the paper trail and a trip to the bank. In fact, the Department found that most direct deposited state refunds were transferred into the taxpayer's bank account within six days of the date the return was filed, compared to the usual six to eight week turnaround for a paper check to be issued from a paper return.

At the end of the 1998 fiscal year, the Department had received 58,955 direct deposit refund requests from electronically filed individual income tax returns. Overall, the Department received 340,904 electronically filed returns (78,760 more than the previous year). The increased participation in the State/Federal Electronic Filing Program is attributed to the availability of direct deposit.

Indiana Rejects Illinois' Tax Demand

In October 1997, the Indiana Department of Revenue turned down a demand from the Illinois Department of Revenue for tax money that Illinois claimed it had lost through a reciprocal agreement between the states.

Illinois gave Indiana a brief timeframe to agree to pay \$10 million in "good faith" money in 1998 in order to keep the 25-year-old agreement intact. Based on data from the 1990 census, Illinois claimed that 52,424 Indiana residents worked in Illinois, while 21,895 Illinois residents worked in Indiana. Illinois went on to claim that this disparity resulted in an annual \$21.9 million loss in individual income taxes to the state of Illinois.

The Indiana Department of Revenue called on fairness to its Illinois neighbors, but asked for Illinois to also extend fairness by allowing adequate time for Indiana to research current data on the numbers in order to make a sound determination. Furthermore, any appropriations would have to be made by the Indiana General Assembly, which wasn't in session during the time Illinois' deadline was made.

The end of reciprocity took effect January 1, 1998, and thus taxpayers began paying taxes to the state in which they worked, not the state where they lived (individual income tax rate for Indiana is 3.4%; for Illinois, 3.0%). The Department contacted more than 160,000 withholding agents (companies with employ-

ees working in Indiana) about the changes in income tax withholding beginning January 1, 1998. A notice explaining the changes was sent to the agents in a mass mailing at the end of 1997.

In 1999, Indiana taxpayers commuting to work in Illinois will file returns in both Indiana and Illinois.

Department's Electronic Funds Transfer Program Expands

In accordance with a new state law effective January 1, 1998, the Department successfully implemented the new threshold of \$10,000 (previously \$20,000) that requires taxpayers to pay sales, withholding, corporate and certain gasoline taxes by electronic funds transfer (EFT). Within the last year, the Department has seen the number of EFT taxpayers increase by 62%.

Electronic Funds Transfer is a method of instructing financial institutions to debit or credit customer accounts and thereby affect a transfer of funds from one account to another. The EFT method is a faster and more secure way of moving funds over paper checks.

Year-End Collections Bring In Close to \$10 Billion For State

The Indiana Department of Revenue serves as the state's primary administrator for the tax laws of the State of Indiana, operating on a fiscal-year basis covering the period of July 1 through June 30. The Department strives to maintain a fair and efficient work ethic while promoting the highest degree of public trust and voluntary compliance.

The Department closed out its 1998 fiscal year with collections at \$9.97 billion, 7% more than last year's collections of \$9.3 billion.

TAXPAYER BILL OF RIGHTS

The Taxpayer's Rights and Responsibilities IC 6-8.1-1-8

All Indiana taxpayers have certain rights and responsibilities that correspond to the Indiana tax laws. The Taxpayer Bill of Rights sets forth these rights and responsibilities for Indiana taxpayers.

I. Quality Taxpayer Service.

II. Taxpayer Advocate - - Preservation of Your Rights.

III. Taxpayer Education and Information.

IV. Fair Collection Process.

V. Appointed Hearing Time and Representation.

VI. Demand Notices.

VII. Warrants for Collection of Tax.

VIII. Judgement Liens Against Property.

IX. Annual Public Hearing and Department Report.

X. Taxpayer's Responsibilities.

Problem Resolution Program

The Problem Resolution Program (PRP) was established in January 1990. IC 6-8.1-11-3 provides for a Taxpayer Advocate who administers the Problem Resolution Program and reports to the Legal Counsel.

The responsibility of the Problem Resolution Program is to ensure that all Indiana taxpayers are treated fairly and to resolve recurring problems or complaints in which the taxpayer's previous attempts at resolution were unsuccessful. The Problem Resolution Program acts as a last resort for taxpayers who need assistance within the Indiana Department of Revenue. When specific areas of recurring problems are identified, recommendations are made for enhanced internal procedures.

The Problem Resolution Program will assist taxpayers who claim hardship and who prove that the Department's normal procedures create difficulty or inability for the taxpayer to meet departmental requirements and their basic needs. In addition, the PRP will review offers in compromise presented to the Department due to medical or financial hardship. PRP will also review any complaint presented by a taxpayer due

to "alleged" unfair treatment by a departmental employee.

■ In fiscal year 1998, PRP collected \$1,758,887.61 from taxpayers who fell under the program's criteria for assistance.

■ In fiscal year 1998, PRP monitored 1,441 special payment plans, and maintained contact with indicated taxpayers in order to ensure that the taxpayer did not fall out of voluntary compliance.

■ In fiscal year 1998, PRP resolved 34,702 recurring problems and complaints.

■ In fiscal year 1998, PRP assisted 42,257 telephone callers who were unable to receive assistance through the normal channels.

■ In fiscal year 1998, PRP assisted 3,727 taxpayers who claimed hardship.

■ In fiscal year 1998, PRP received 810 offers in compromise.

PRP Improvements In Customer Services

■ In fiscal year 1998, PRP worked with other staff members to enhance the Department's discrepancy form letter which itemizes the taxpayer's reported tax information in comparison to the Department's findings. PRP's contributions to the letter's revisions resulted in even more specific and comprehensive information being provided to the taxpayer. The new form letter includes options for the taxpayer to pay any tax due before any liabilities are generated against the taxpayer.

These changes will assist both the taxpayer and the Department in resolving situations involving tax due before actions are taken that could possibly create hardship on the taxpayer.

■ In fiscal year 1998, PRP was included in a system trainer's team. The goal of such a team is to evaluate additional computer system training needs for all agency employees.

1998 LEGISLATIVE SUMMARY

Regular Session **1998 Indiana General Assembly** *Convened November 26 , 1997;* *Adjourned February 27, 1998*

IC 4 State Offices and Administration

IC 4-4-6.1-2, HB 1319, SECTION 1. Provides that the state enterprise board has the authority to make designations of locations as military base recovery sites and the availability of the military base recovery tax credit. EFFECTIVE UPON PASSAGE.

IC 6-2.1 Gross Income Tax

IC 6-2.1-3-24.5, HB 1157, SECTION 1. Changes a federal code cite for the definition of passive investment income for a small business corporation. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE).

IC 6-2.1-5-1.1, SB 101, SECTION 31. Makes technical corrections to correct errors and blind amendments that passed during the 1997 session. EFFECTIVE JANUARY 1, 1998, (RETROACTIVE).

IC 6-2.1-6-3.1, HB 1157, SECTION 2. Makes gross income tax payment dates for withholding on non resident contractors the same dates as other corporate payment dates. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE).

IC 6-2.5 Sales and Use Tax

IC 6-2.5-4-6, HB 1147, SECTION 1. Provides that a person is not a retail merchant making a retail transaction when the person furnishes telecommunication services to another person who is using a prepaid telephone calling card. EFFECTIVE JULY 1, 1998.

IC 6-2.5-4-13, HB 1147 SECTION 2. Provides that a person is a retail merchant making a retail transaction when the person sells a prepaid telephone calling card at retail, an authorization number at retail, a reauthorization of a prepaid telephone calling card, or the reauthorization of a prepaid telephone authorization number. EFFECTIVE JULY 1, 1998.

IC 6-3 Adjusted Gross Income Tax

IC 6-3-1-3.5, HB 1157, SECTION 3. Clarifies that the capital gain portion of a lump sum distribution is to be added back to income in determining Indiana adjusted gross income. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE).

C 6-3-1-11, HB 1157, SECTION 4. Adopts the provisions of the Internal Revenue Code and the Code of Federal Regulations for adjusted gross income tax as in effect on January 1, 1998. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE).

IC 6-3-2-3.1, HB 1011, SECTION 78. Changes internal references to code cites in the adjusted gross income tax as a result of a recodification of Title 34. EFFECTIVE JULY 1, 1998.

IC 6-3-4-4.1, SB 101, SECTION 32. Makes technical corrections to correct errors and blind amendments that passed during the 1997 session. EFFECTIVE JANUARY 1, 1998, (RETROACTIVE).

IC 6-3-4-6, HB 1157, SECTION 5. Clarifies that all taxpayers must notify the Department of Revenue within one hundred twenty days if there is an adjustment to income. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE).

IC 6-3.1 Tax Credits

IC 6-3.1-11.5, HB 1319, SECTION 2. Creates the military base recovery tax credit that provides a credit of up to 25% of the qualified investment in the facility. The percentage of credit depends on when the property was initially placed in service. Provides that pass through entities are eligible for the credit. A taxpayer can also be a lessee that is assigned some part of the tax credit. The credit can be carried forward but cannot be refunded or carried back. A taxpayer that would be entitled to the credit is not entitled to the credit if the taxpayer ceases or drastically reduces operations at the military base recovery site. EFFECTIVE UPON PASSAGE.

IC 6-3.1-19, HB 1319, SECTION 3. Creates the community revitalization enhancement district tax credit. Provides a credit to a taxpayer for the investment made in a community revitalization enhancement district approved by the department of commerce before the expenditure is made. The credit is equal to 25% of the qualified investment made by the taxpayer during the taxable year. The taxpayer can assign the credit to a lessee. The credit is not refundable and cannot be carried back. Gives the Department of Revenue the authority to disallow any credit if the taxpayer ceases operations or substantially reduces its operations. EFFECTIVE JANUARY 1, 1999.

IC 6-3.5 Local Option Income Taxes

IC 6-3.5-1.1-2.5, HB 1157, SECTION 7. Allows Jackson County to impose the County Adjusted Gross Income Tax at a rate not to exceed 1.1% and dedicates the additional .1% to operate a jail and a juvenile detention center. EFFECTIVE JULY 1, 1998.

IC 6-3.5-1.1-3.5, HB 1157, SECTION 8. Allows Pulaski County to impose the County Adjusted Gross Income Tax at a rate not to exceed 1.3% and dedicates the additional .3% to operate a jail and justice center. EFFECTIVE JULY 1, 1998.

IC 6-3.5-1.1-10, HB 1157, SECTION 9. Provides that the additional CAGIT rates for Jackson and Pulaski Counties will not be considered as property taxes for purposes of CAGIT distributions. EFFECTIVE JULY 1, 1998.

IC 6-3.5-1.1-11, HB 1157, SECTION 10. Provides that the excess CAGIT distributions to Jackson and Pulaski Counties will not be considered as certified shares. EFFECTIVE JULY 1, 1998.

IC 6-3.5-7-5, HB 1157, SECTION 11. Provides that the maximum CAGIT and CEDIT rate for Jackson County cannot exceed 1.35%. Clarifies that the maximum CAGIT and CEDIT rate for Pulaski County may not exceed 1.55%. EFFECTIVE JULY 1, 1998.

IC 6-3.5-7-6, HB 1157, SECTION 12. Provides that any CEDIT rate that is increased or decreased must be adopted at one of the original imposition rates. JANUARY 1, 1998 (RETROACTIVE).

IC 6-5 Financial Institution Taxes

IC 6-5-10-1, HB 1185, SECTION 12. Changes a reference to a building and loan association to a savings association in the bank tax law. EFFECTIVE JULY 1, 1998.

IC 6-5-11-1, HB 1185, SECTION 13. Clarifies a reference to savings and loan institutions under the savings and loan institution statute. EFFECTIVE JULY 1, 1998.

IC 6-5.5-1-2, HB 1157, SECTION 13. Permits a bad debt deduction for thrifts and other small financial institutions to coincide with federal law. JANUARY 1, 1998 (RETROACTIVE).

IC 6-5.5-1-17, HB 1157, SECTION 14. Changes the Indiana Code cite to reflect a recodification of Title 28 concerning the definition of a trust company. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE).

IC 6-6 Motor Fuel and Excise Taxes

IC 6-6-2.5-40, HB 1011, SECTION 80. Changes internal references to code cites in the special fuel tax as a result of a recodification of Title 34. EFFECTIVE JULY 1, 1998.

IC 6-6-2.5-62, HB 1011, SECTION 81. Changes internal references to code cites in the special fuel tax as a result of a recodification of Title 34. EFFECTIVE JULY 1, 1998.

IC 6-6-4.1-12, HB 1011, SECTION 82. Changes internal references to a code cite in the motor carrier fuel use tax as a result of a recodification of Title 34. EFFECTIVE JULY 1, 1998.

IC 6-6-4.1-13, HB 1243, SECTION 1. Allows a motor carrier to obtain a repair, maintenance, and relocation permit to move a yard tractor from a terminal building or loading or spotting facility to a maintenance or repair facility, or to another loading or spotting facility, and return the yard tractor to its place of origin. The fee for this annual permit is forty dollars (\$40), and is in lieu of the motor carrier fuel use tax. EFFECTIVE JULY 1, 1998.

IC 6-6-5-9, HB 1033, SECTION 1. Provides that penalty and interest collected by the Department of Revenue in connection with delinquent auto excise taxes shall be distributed to the appropriate taxing unit after the Department of Revenue is allowed to deduct a reasonable amount to account for administrative expenses. EFFECTIVE JULY 1, 1998.

IC 6-6-6.5-1, SB 149, SECTION 1. Removes the definition of an established place of business for purposes of being a bona fide aircraft dealer. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE).

IC 6-6-6.5-2, SB 149, SECTION 2. Provides that if a nonresident bases an aircraft in Indiana with a dealer, solely for repairing, remodeling, or refurbishing the aircraft, neither the nonresident or the dealer is required to register the aircraft. However the dealer shall report to the Department of Revenue after the end of the quarter a listing of each aircraft that was based in this state for more than sixty days. EFFECTIVE JANUARY 1, 1999.

IC 6-6-6.5-8, SB 149 SECTION 3. Provides that the seller of an aircraft has thirty-one days instead of five days to notify the Department of Revenue of the transfer of the aircraft. Requires the purchaser of an aircraft to apply to the Department of Revenue for transfer of registration within thirty-one days of the transfer. Cur-

rent law requires the application to be submitted within ten days. This section also eliminates a requirement that the seller notify the buyer on the amount of excise tax that the purchaser will be required to pay. EFFECTIVE JANUARY 1, 1999.

IC 6-6-6.5-9, SB 149, SECTION 4. Provides that an aircraft owned by a dealer for not more than five days if the ownership is part of an ultimate sale of an aircraft that will not be based in Indiana is not required to be registered in Indiana. The dealer is required to notify the Department of Revenue within thirty-one days after the ultimate sale of the aircraft. EFFECTIVE JANUARY 1, 1999.

IC 6-6-6.5-10.1, SB 149, SECTION 5. Deletes the requirement that the dealer must have an established place of business with an office and space to display at least one aircraft, along with a sign advertising the dealership. It only requires the dealer to submit information to prove that he is bona fide dealer by submitting normal business records. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE).

IC 6-6-6.5-10.2, SB 149, SECTION 6. Requires that upon receipt of a dealer's application form and fee, the Department of Revenue shall determine if the dealer is in good standing and then issue a renewal of the dealer's certificate before December 31 of the immediately preceding year. If the renewal is not issued by December 31, the dealer's certificate remains valid until renewed or revoked by the Department of Revenue. Also provides that if a dealer's license is revoked, the dealer has 180 days to sell the dealer's inventory. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE).

IC 6-6-6.5-10.4, SB 149, SECTION 7. Requires a transferring owner to notify the Department of Revenue within thirty-one days of the transfer. Current law requires the notification within five days. EFFECTIVE January 1, 1999.

IC 6-6-6.5-10.6, SB 149, SECTION 8. Requires that an aircraft held in inventory for more than eighteen months is no longer considered aircraft inventory and is treated as property of a non-dealer, and will be subject to sales tax and excise taxes. The taxes are due thirty-one days after the eighteen month period expires. EFFECTIVE JANUARY 1, 1999.

IC 6-7-3-14, HB 1011, SECTION 83. Changes internal references to a code cite in the controlled substance excise tax as a result of a recodification of Title 34. EFFECTIVE JULY 1, 1998

IC 6-7-3-20, HB 1011, SECTION 84. Changes internal references to a code cite in the controlled substance excise tax as a result of a recodification of Title 34. EFFECTIVE JULY 1, 1998.

IC 6-8 Miscellaneous Tax Provisions

IC 6-8-11-12, HB 1185, SECTION 14. Adds a reference to savings association (replacing savings & loan associations) for purposes of being an account administrator under the medical care savings plan. EFFECTIVE JULY 1, 1998.

IC 6-8-11-19, HB 1011, SECTION 85. Changes an internal reference to a code cite in the medical care savings account provisions as a result of a recodification of Title 34. EFFECTIVE JULY 1, 1998.

IC 6-8.1 Tax Administration

IC 6-8.1-1-1, HB 1157 SECTION 15. Includes the hard cider excise tax as a listed tax. EFFECTIVE JULY 1, 1998.

IC 6-8.1-4-4, HB 1157, SECTION 16. Provides that the joint registration center is under the supervision of the motor carrier services division. Also provides that funding for the center will come from the motor carrier regulation fund. EFFECTIVE UPON PASSAGE.

IC 6-8.1-6-4.5, HB 1157, SECTION 17. Allows taxpayers to round to the nearest dollar when they are completing their annual income tax return. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE).

IC 6-8.1-7-1, HB 1157, SECTION 18. Provides that the confidentiality statute does not apply to the hard cider excise tax. EFFECTIVE JULY 1, 1998.

IC 6-8.1-9-1, HB 1157, SECTION 19. Provides that a taxpayer is entitled to a refund if it results in a change in tax liability as a result of a federal modification, and allows the taxpayer six months from the date of notification to file a claim for refund. Also provides that if an agreement to extend the statute of limitations for an assessment is entered into between the taxpayer and the Department of Revenue then the period for filing a claim for refund is also extended. EFFECTIVE JANUARY 1, 1999.

IC 6-9 Innkeeper's Taxes and Other Local Taxes

IC 6-9-2-4, HB 1097, SECTION 1. Permits the Lake County convention bureau to enter into leases for the construction, acquisition and equipping of a visitor center. Also gives the bureau the power of eminent domain. EFFECTIVE UPON PASSAGE.

IC 6-9-2-4.5, HB 1097, SECTION 2. Provides that funds from the Lake County innkeepers' tax may be used to fund a visitor's center. EFFECTIVE UPON PASSAGE.

IC 6-9-2-4.7, HB 1097, SECTION 3. Provides that the Lake County convention bureau can issue bonds to fund the visitor's bureau and that the bonds will be paid from the innkeepers' tax. EFFECTIVE UPON PASSAGE.

IC 6-9-13-1, HB 1097, SECTION 6. Clarifies that the Marion County admissions tax only applies to events where tickets are offered for sale to the public by the box office of the facility, or an authorized agent of the facility. Also clarifies that an event sponsored by a political organization is exempt from the admissions tax. EFFECTIVE UPON PASSAGE.

IC 6-9-18-4, HB 1097, SECTION 7. Clarifies the dates for which bonds can be issued under the authority of the uniform innkeepers' tax, and requires the bonds to be paid from a fund established for that purpose. EFFECTIVE UPON PASSAGE.

IC 6-9-23-8, HB 1002, SECTION 8. Provides that the Allen County food and beverage tax may be used to fund the acquisition and improvement of an athletic and exhibition coliseum if the facility was in existence before January 1, 1998. EFFECTIVE JULY 1, 1998.

IC 6-9-29-1.5, HB 1157, SECTION 20. Provides that if a county adopts an ordinance to impose or change an innkeepers' tax, the tax cannot take effect until thirty days from the adoption of the ordinance and must be on the first of the month. Also requires the county fiscal body to send a copy of the ordinance to the Department of Revenue. EFFECTIVE JULY 1, 1998.

IC 7.1 Alcoholic Beverage Taxes

IC 7.1-1-3-9.5, HB 1157, SECTION 21. Defines the term hard cider for purposes of alcoholic beverage taxation. EFFECTIVE JULY 1, 1998.

IC 7.1-4-4.5, HB 1157, SECTION 24. Creates the hard cider excise tax at a rate of \$.115 per gallon. EFFECTIVE JULY 1, 1998.

IC 7.1-4-7.5, HB 1157, SECTION 25. Provides that the entire amount of the hard cider excise tax will be deposited in the state general fund. EFFECTIVE JULY 1, 1998.

IC 7.1-5-11-1.5, HB 1212, SECTION 2. Provides that it is unlawful for a person in the business of selling alcoholic beverages in another state to ship an alcoholic beverage directly to an Indiana resident who does not

hold a valid wholesaler permit in the state of Indiana. EFFECTIVE JULY 1, 1998.

IC 8-2.1 Motor Carrier Regulation

IC 8-2.1-23-1, HB 1157, SECTION 26 Provides that the motor carrier regulation fund shall be used for the purpose of funding the motor carrier services division and the motor carrier fuel use tax.. EFFECTIVE UPON PASSAGE.

IC 8-2.1-25-6, SB 4, SECTION 1. Provides that a motor bus owned by a motor carrier may be inspected by a certified third party inspector. EFFECTIVE JULY 1, 1998.

OTHER MISCELLANEOUS PROVISIONS

IC 29-1-8-3, HB 1038, SECTION 2. Provides that if the value of a decedent's gross estate does not exceed \$25,000 (current law is \$15,000), the personal representative may immediately distribute the estate to the persons entitled to it and file a closing statement of the estate. EFFECTIVE JULY 1, 1998.

IC 36-7-13-2.4, HB 1319, SECTION 5. Defines "gross retail base period amount" to mean the aggregate sales and use tax remitted by businesses operating in the community revitalization enhancement district during the fiscal year that precedes the date on which a district is designated. EFFECTIVE JULY 1, 1998.

IC 36-7-13-2.6, HB 1319, SECTION 6. Defines "gross retail incremental amount" to mean the total taxes remitted for sales and use taxes by a business during a state fiscal year minus the base period amount. EFFECTIVE JULY 1, 1998.

IC 36-7-13-3.2, HB 1319, SECTION 7. Defines "income tax base period amount" to mean the amount of state and local income taxes paid by employees in the district during the full fiscal year that precedes the date on which a district is designated. EFFECTIVE JULY 1, 1998.

IC 36-7-13-3.4, HB 1319, SECTION 8. Defines "income tax incremental amount" to mean the aggregate amount of state and local taxes paid in a fiscal year minus the income tax base period amount. EFFECTIVE JULY 1, 1998.

IC 36-7-13-13, HB 1319, SECTION 17. Provides that if a district is designated in Monroe County, the advisory commission shall submit to the Department of Revenue a complete listing of all employers in the district. Within sixty days of receipt of the resolution, the Department

of Revenue shall determine the gross retail base period amount and the income tax base period amount. EFFECTIVE JULY 1, 1998.

IC 36-7-13-14, HB 1319, SECTION 18. Requires the Department of Revenue to determine the amount of incremental income tax and the incremental gross retail amount for the previous fiscal year. EFFECTIVE JULY 1, 1998.

IC 36-7-13-15, HB 1319, SECTION 19. Requires the treasurer of state to deposit the incremental taxes amounts in a special account. Stipulates that the maximum incremental amount may not exceed \$1,000,000 per county in any state fiscal year. Requires the distribution to be made on or before the twentieth of the month. EFFECTIVE JULY 1, 1998.

NONCODE, HB 1157, SECTION 28. Repeals IC 6-2.1-6-3, which is obsolete concerning remittance of withholding of gross income tax for non resident contractors. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE).

SIGNIFICANT COURT CASES

Rotation Products Corp. v. Indiana Department of State Revenue, 690 N.E.2d 795 (Ind. Tax 1998)

The court addressed whether repair activity can constitute production or whether repair activity can only be a service. The Court stated that the legislature had already recognized that some repair activity is so extensive that it cannot be characterized as a mere service. In deciding the equipment and materials were deserving of a sales and use tax exemption the court stated “the remanufactured roller bearing is a new product different from both the unusable roller bearing sent to [Rotation] and the roller bearing as it was originally manufactured.”

Bulkmatic Transport Co. v. Department of State Revenue, 691 N.E.2d 1371 (Ind. Tax 1998)

Bulkmatic challenged the constitutionality of a 15% exemption from Indiana’s motor carrier fuel tax as provided in IC 6-6-4.1-4(d). The Court found carriers that used the power take off equipment in Indiana were allowed a 15% exemption for their entire fleet. The Court ruled this acted as an incentive for carriers to deliver products to Indiana companies that would pay less for the delivery due to the exemption. The Court held the limitation of the power take off equipment use exemption violated the Commerce Clause.

Indianapolis Fruit Co. v. Department of State Revenue, 691 N.E.2d 1379 (Ind. Tax 1998)

At issue was whether the equipment used in ripening bananas and tomatoes, tomato packaging, and the protective clothing worn by employees was exempt pursuant to IC 6-2.5-5-1 to -3. The Indiana Tax Court ruled the banana ripening process was production because the bananas underwent substantial changes as they ripened, and Indianapolis Fruits process actively induced those changes. The Court found the tomato ripening process did not constitute production for exemption purposes because Indianapolis Fruit did not trigger the ripening. The Court ruled the tomato packaging did not constitute production. The Court found there was no production preceding the packaging, therefore, the packaging could not be an integral and essential part of an integrated production process. Finally, the Court found the protective clothing worn by employees was entitled to an exemption because it was necessary to prevent contamination of the product during processing.

Max D. Horrall v. Indiana Department of State Revenue, 687 N.E.2d 1219 (Ind. Tax 1997)

The taxpayer was not entitled to a refund of the controlled substances excise tax (CSET), because he had been in possession of marijuana without lawful authority and failed to pay the CSET on time. Mr. Horrall had argued he was the ultimate user and, therefore, had legal justification for possession of the marijuana. However, the Court found the planned use of the marijuana for a “hemp hut” did not make taxpayer’s possession lawful.

White River Environmental Partnership v. Dept. of State Revenue, 49T10-9605-TA-00048, (Ind. Tax 1998)

At issue was whether the treatment of wastewater constitutes production for purposes of the sales and use tax exemptions provided in IC 6-2.5-5-1 and IC 6-2.5-5-30. Taxpayer filed a claim for refund for chemicals and materials consumed during the processing of wastewater. The Court found no exemptions applied as the taxpayer did not produce goods for the marketplace and there was no tax pyramiding to be avoided with the exemptions.

Hyatt Corp. v. Dept. of State Revenue, 49T10-9601-TA-00001, (Ind. Tax 1998)

Taxpayer made unprepared food purchases used for complimentary meals. Taxpayer filed a claim for refund for the use tax paid based on the food for human consumption exemption (IC 6-2.5-5-20). The Court allowed the exemption and found the legislature intended to exempt all food for human consumption regardless of the purchaser. The Court also found all purchases of food for human consumption are exempt even if the food purchases are the last point of sale. The Department is currently appealing this case.

**Dept. of State Revenue v. Estate of Carolyn Hunt Phelps,
89T10-9609-TA-00116, (Ind Tax 1998)**

At issue was whether a proper qualified terminable interest property (QTIP) election could be made in a second, subsequent inheritance tax return. The Estate attached a copy of the will and the revocable trust agreement to the first return which did not satisfy the statutory requirements for electing QTIP treatment (I.C. 6-4.1-3-7). The second inheritance tax return filed, prior to the due date, did properly attach a QTIP election. The Court found failure to attach a QTIP election to the initial inheritance tax return, cannot be cured by filing a subsequent return before the due date. Ind. Admin. Code tit. 45, r. 4.1-3-5(b)(3)(1996).

AREAS OF RECURRING TAXPAYER NONCOMPLIANCE

The Indiana Department of Revenue's Compliance Division monitors and maintains various projects in an effort to promote "voluntary" compliance by Indiana taxpayers. In order to do so, this division's particular programs identify non-filing, noncomplying taxpayers, violating Indiana Code (IC), in the areas of individual, corporate, sales and use, and withholding taxes.

During fiscal year 1998, the Department's Compliance Division found the following areas of recurring taxpayer noncompliance:

Aeronautics Section: The Aeronautics Section mailed 4,530 aircraft registration renewals for the calendar year 1997. As of December 31, 1997, only 117 aircraft owners were delinquent. This translates to a 97.5% compliance rate. The following amounts were collected:

Aircraft Excise Tax	\$ 381,784
Registration Fees	\$ 70,182
Aircraft Sales/Use Tax	\$1,828,255
<hr/>	
Total	\$2,280,221
Airport Late Fees	\$ 320

Based Aircraft Reports

The Aeronautics Section researches the based aircraft information updated by the airport owner and/or operator to verify all aircraft based in Indiana, including non-resident owned aircraft, are in compliance with Indiana Code. The late penalty fee of \$10 per day may be charged on all late based aircraft reports. Three hundred twenty dollars (\$320) was collected in airport late penalties in the fiscal year 1998.

The based aircraft reports led to the identification of eighty-eight (88) owners of unregistered aircraft based at Indiana airports. The owners were assessed a total of \$1,104,728 for sales and use tax, excise tax, registration fees, penalty and interest.

Aircraft Dealers

Indiana Code 6-6-6.5 was revised to ensure only bona fide aircraft dealers were issued an aircraft dealer license and allowed to purchase inventory for resale exempt from sales tax. Before the code change, over 200 entities were registered as aircraft dealers with several using their inventory and not reporting or remitting any sales tax. After the code change, the number of registered aircraft dealers was reduced to approximately 110. The code change also requires dealers to

register and pay all applicable tax on inventory held more than 18 months. This change will ensure inventory aircraft are actually purchased for resale and sold within a reasonable time period or the dealer will be subject to all applicable taxes.

Bankruptcy/Responsible Officer Section: During fiscal year 1998, this section filed 2,079 claims with the U.S. Bankruptcy Courts totaling \$17,599,822 for unpaid tax delinquencies and projected tax liabilities for non-filed returns. This section processed \$3,082,869 in disbursements from bankruptcy proceedings. Corporate officers may be held personally liable for the payment of unpaid trust taxes such as sales/use, withholding tax, and food and beverage tax. The entity collecting a trust tax is operating as an agent for the state. Responsible officers of solvent and bankrupt entities were assessed \$11,356,805 in delinquent trust taxes during the year.

Total taxes assessed by this section for fiscal year 1998 were \$28,956,687.

Corporate Income Tax Section: The Corporate Income Tax Section assists taxpayers with corporate or financial institutions tax questions on a daily basis.

The Corporation Income Tax Section provides assistance to taxpayers with telephone and/or written inquiries related to gross, adjusted, supplemental net income taxes, financial institutions tax, all forms, schedules, deductions, credits and liabilities for regular corporations (Form IT-20), Indiana special corporations (Form IT-20SC), partnerships (Form IT-65), small businesses (Form IT-20S), and governmental entities (Form IT-20G). The section also issues clearances for corporate reinstatements, dissolutions, and withdrawals in conjunction with the Secretary of State's Office.

Several areas of noncompliance were identified in fiscal year 1998:

Federal Audits

Results of modifications to federal adjusted gross income are communicated to the Department by the Internal Revenue Service or by the taxpayer. Corporate income tax in the amount of \$636,885 was collected and \$59,439 in late penalties and interest was assessed through the Federal Audit Project.

Voluntary Compliance Agreements

Voluntary agreements are initiated by taxpayers desiring to become compliant with Indiana filing requirements. After meeting the terms of the agreement, the taxpayer is considered in current standing with the De-

partment. This project resulted in the collection of delinquent corporate taxes in the amount of \$89,618 and generated assessments for interest of \$473.

Penalty for Underpayment of Estimated Taxes/Late Payment Penalty & Interest

Returns are identified where the underpayment penalty should have been calculated or was calculated incorrectly. Remittance returns are reviewed for application of late payment penalty and interest. Assessments for fiscal year 1998 totaled \$220,468.

Individual Income Tax Section: The Individual Income Tax Section's mission is to identify and pursue non-filers, as well as to verify the accuracy of filed returns. Resources include information from the Internal Revenue Service, various Indiana state agencies, other state taxing agencies, and anonymous informants. Our standard compliance projects and findings for fiscal year 1998 are as follows:

Federal Audit

The Internal Revenue Service provides agreed federal tax audit reports to the Department. If the taxpayer did not amend their Indiana individual income tax return to report the Indiana adjustments resulting from the federal modifications detailed in the audit findings, a tax bill is generated. The federal audits also led to the disclosure of Indiana non-filers. The entire project resulted in 2,193 taxpayers receiving an average assessment of \$844 totaling \$1,851,176.

CP2000 Unreported Income

The Internal Revenue Service sends data on Indiana taxpayers under reporting taxable income derived from wages, interest, dividends, or non-employee compensation to the Department. These types of income are reported on W-2's or Form 1099 information returns. An assessment is generated if this income is not reported on the original return, or an amended return, if applicable. Assessments averaging \$284 were created for 2,199 taxpayers totaling \$624,732.

Withholding Discrepancies

The Withholding Section compares the annual WH-3 form with the payments made during the year. If an underpayment exists, the taxpayers are billed. This section generated 1,959 bills for \$2,862,654 (average bill \$1,461).

Individual Desk Audits

The Individual Desk Audits resulted in 164 bills for \$191,622. These audits were conducted from submissions within the agency, as well as from anonymous sources.

Strategic Compliance Section: The Strategic Compliance Section develops and implements projects designed to increase voluntary compliance. This section also assisted with this year's agency correspondence, suspended transactions and processing of review items.

Through the Federal/State Exchange of Agreement, the Internal Revenue Service provides the Indiana Department of Revenue with information on employers who have filed paper W-2's with the IRS and have a link with Indiana. Assessments in the amount of \$591,355 were issued to employers.

This section's efforts to increase use tax awareness were expanded to include individual income taxpayers. The section continues to inform professional and service-oriented businesses about the possibility that they may have a use tax liability. The Use Tax Project produced \$367,849 during fiscal year 1998.

The section researches taxpayers that are delinquent in one tax area and sometimes find that this same taxpayer is not on file for another tax type. This type of research resulted in collections of \$503,030 this fiscal year.

Miscellaneous projects from various sources helped to identify non-filers of returns for sales tax, withholding tax, individual income tax, and corporate income tax. An additional \$584,013 was generated as a result of this information.

Utility/Refund Section: This section reviewed and processed 9,353 Applications for Utility Sales Tax Exemption (Form ST200). Of these, approximately 8,095 of the applicants qualified for a 100% exemption on their purchase of public utility services. These applicants were primarily government, not-for-profit organizations and those companies engaged in manufacturing whose use of the utility was predominately for an exempt purpose. Percentage exemptions were received by 794 restaurants, industrial processors, grocers etc.; these companies will claim an annual refund for the exempt percentage granted. Of the 464 applications denied, most were denied for nonproduction, failure to provide necessary information or were determined to be ineligible through an audit.

This section processed 3,441 claims for refund of sales tax, which totaled \$5,603,088. Of this amount, \$1,456,226 was denied due to taxpayer failure to meet exemption requirements, taxpayer failure to provide necessary information, and/or the expiration of the statute of limitations.

More than \$197,000 in tax and interest was collected as a result of voluntary compliance agreements. These agreements come about when an out-of-state company contacts the Department regarding their delinquent tax status. The company agrees to register and remit all past amounts due in order to bring themselves back into "good standing".

Approximately \$147,000 was collected from a variety of sources. Bills were generated from information received from the Bureau of Motor Vehicles and from other states. Payments were received from out-of-state companies who either owed Indiana use tax or had collected Indiana sales tax from an Indiana customer.

Charity Gaming Section: This section is responsible for licensing qualified, not-for-profit organizations for bingo, festivals, raffles, door prizes, and charity game nights. Also, licensing manufacturers and distributors of tip boards, punch boards, and pull tabs.

As a result of investigations completed, 18 not-for-profit organizations were assessed civil penalties for statute/rule violations and income tax assessments were imposed against the noncomplying organizations. 45 IAC 18-5-1 provides that the income from the operation of a non-licensed charity gaming event is unrelated income and subject to gross income tax, adjusted gross income tax and supplemental net income tax.

<i>Indiana Code</i>	<i>Total Assessed</i>	<i>Number of Violations</i>
IC 4-32-6-17	\$2,000.00	2
IC 4-32-7-4	\$1,500.00	2
IC 4-32-9-2	\$26,000.00	11
IC 4-32-9-7	\$2,500.00	1
IC 4-32-9-17	\$11,250.00	12
IC 4-32-9-18	\$500.001	1
IC 4-32-9-20	\$1,000.00	1
IC 4-32-9-21	\$750.001	1
IC 4-32-9-25	\$15,500.00	4
IC 4-32-9-28	\$1,500.00	1
IC 4-32-9-29	\$2,500.00	2
IC 4-32-9-30	\$500.001	1
IC 4-32-11-3	\$13,025.00	12
IC 4-32-12-1	\$9,500.00	3
IC 6-2.5-3-6	\$202.101	1
*45 IAC 18-5-1	\$153,753.47	8
TOTAL:	\$241,980.57	63

* As provided by 45 IAC 18-5-1, eight (8) organizations were issued income tax assessments totaling \$153,753.47, including penalty and interest.

The Indiana Department of Revenue's Returns Processing Center's mission is to efficiently process tax returns and ensure timely deposit of tax revenues in support of the Department's overall mission and goals. In a given year, the Department's Returns Processing Center processes five to six million various types of Indiana tax returns.

During fiscal year 1998, the Department's Returns Processing Center found the following areas of recurring taxpayer noncompliance:

■ Incomplete Returns. The Department often receives individual income tax returns without attached W-2 forms or not every W-2 form is attached to cover the amount of withholding tax claimed on the return.

■ Filing Wrong Return. The Department receives returns that the taxpayer filed, but due to deductions taken or income level requirements, a different return should have been used (i.e., using the IT-40EZ when a IT-40 should have been filed).

■ Failure To Include W-2 Forms With The WH-3. The WH-3 is a reconciliation of the W-2 forms and both forms are required to be sent in together. The WH-3 is often received using the wrong ownership type, or is sent without the proper registered account number. When this occurs, it typically means that the taxpayer has not registered with the Department and they have not filed withholding tax forms on a monthly or quarterly basis as is required by law.

■ Failure To Complete All Required Lines/Information. The Department receives many returns that contain "missed" or incomplete information. Many times, taxpayers will fail to complete all lines and the county code boxes on the individual income tax returns. This slows down the agency's return processing. If the omitted information is obtainable, the Department will do so. Otherwise, the return must be sent back to the taxpayer.

■ Use of Non-Departmental Payment Coupons. The Department provides preprinted voucher coupons to a number of taxpayers for payment of various taxes, such as estimated tax payments. Often times, taxpayers will submit payment with incorrect forms. This slows down the processing time.

INDIANA TAX DESCRIPTIONS AND REVENUES

All amounts are in thousands. Percent (%) change reflects increase or decrease from FY 97 to FY 98.

Aircraft License Excise

Excise tax, due at the time of registration, is determined by weight, age and type of aircraft. All excise tax is distributed to the county where the aircraft is usually located when not in use.

FY91	--	FY95	\$395.6
FY92	--	FY96	\$404.4
FY93	--	FY97	\$377.6
FY94	\$413.2	FY98	\$381.8
		%CHANGE	1.1%

Alcoholic Beverage

Per gallon rates are based on the wholesale purchase of the following: beer, \$.115; Liquor-wine (21% alcohol or more), \$.268; wine (less than 21% alcohol), \$.47; mixed beverages (14% or less), \$.47

FY91	\$33,593.8	FY95	\$33,590.2
FY92	\$33,831.5	FY96	\$33,847.8
FY93	\$33,224.5	FY97	\$33,942.4
FY94	\$33,974.9	FY98	\$33,087.8
		%CHANGE	-2.5%

Auto Rental Excise

Based on the gross retail income from the rental of a vehicle weighing less than 11,000 pounds, for less than a 30-day period at a rate of 4%.

FY91	\$4,528.0	FY95	\$6,282.9
FY92	\$4,464.8	FY96	\$6,981.3
FY93	\$5,008.4	FY97	\$7,836.8
FY94	\$5403.0	FY98	\$8,047.7
		%CHANGE	2.7%

Charity Gaming Excise

Tax based on the sale of pull tabs, punchboards and tip boards to qualified organizations licensed for charity gaming at a rate of 10% of the wholesale price. Remitted by the licensed distributor or for charity gaming at a rate of 10% of the wholesale price. Remitted by the licensed distributor or manufacturer (not the organization).

FY91	--	FY95	\$ 967.7
FY92	--	FY96	\$1,008.1
FY93	\$ 581.0	FY97	\$1,194.3
FY94	\$ 780.5	FY98	\$1,222.7
		%CHANGE	2.4%

Cigarette/Other Tobacco

Levied against cartons or packs of cigarettes and cigarette papers, wrappers and tubes at the following rates: pack of 20 cigarettes, \$.155; pack of 25 cigarettes, \$.1375; other tobacco products, 15% of wholesale price.

FY91	\$110,113.7	FY95	\$123,025.6
FY92	\$111,363.1	FY96	\$123,720.2
FY93	\$110,278.4	FY97	\$128,420.3
FY94	\$113,380.3	FY98	\$127,969.1
		%CHANGE	-0.4%

Controlled Substance Excise

Imposes a tax on illegally delivered, manufactured or possessed controlled substances. (Prescription pharmaceuticals are exempt.) Tax based on the weight and schedule of substance. Rates vary from \$3.50 to \$40.00 per gram. Once paid, a taxpayer who can remain anonymous is given a receipt for the tax which is valid for a specific time period. The payment of this tax does not legalize the controlled substance or the activity associated with it.

FY91	--	FY95	\$291.4
FY92	--	FY96	\$110.4
FY93	326.0	FY97	\$192.9
FY94	\$260.4	FY98	\$101.2
		%CHANGE	-47.5%

Corporate Adjusted Gross Income

Based on all federal taxable business income with specific modifications at a rate of 3.4%.

FY91	\$ 44,681.7	FY95	\$ 81,360.5
FY92	\$ 73,209.2	FY96	\$125,470.0
FY93	\$111,895.8	FY97	\$149,772.8
FY94	\$62,056.0	FY98	\$106,562.9
		%CHANGE	-28.9

Corporate Gross Income

Based on all corporation business transactions within the State whether resident or nonresident corporations. Rate varies according to business type.

FY91	\$336,837.2	FY95	\$532,210.9
FY92	\$344,743.2	FY96	\$477,982.9
FY93	\$162,933.0	FY97	\$436,129.2
FY94	\$606,139.0	FY98	\$547,865.4
		%CHANGE	25.6%

Corporate Supplemental Net Income

Based on the adjusted gross income less the greater of the amounts paid in Adjusted Gross Income Tax, Gross Income Tax or Premium Tax at a rate of 4.5%.

FY91	\$260,714.7	FY95	\$283,274.8
FY92	\$231,779.4	FY96	\$308,272.8
FY93	\$394,575.0	FY97	\$338,146.3
FY94	\$198,645.5	FY98	\$296,060.3
		%CHANGE	-12.4%

County Adjusted Gross Income

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary. (A county may adopt either the County Adjusted Gross Income Tax or the County Option Income Tax, but not both.)

FY91	\$178,896.0	FY95	\$228,824.4
FY92	\$184,570.8	FY96	\$236,047.2
FY93	\$194,984.4	FY97	\$243,561.6
FY94	\$236,400.0	FY98	\$254,264.0
		%CHANGE	4.4%

County Economic Development Income

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates Vary.

FY91	\$21,960.0	FY95	\$64,222.8
FY92	\$31,492.8	FY96	\$74,388.0
FY93	\$38,241.6	FY97	\$80,456.4
FY94	\$58,321.0	FY98	\$97,879.2
		%CHANGE	21.7%

County Innkeepers

Tax determined locally at a rate not to exceed 5% of the gross income derived from lodging income. Tax may either be collected by the Department or locally through the county treasurer's office.

FY91	\$13,288.6	FY95	\$14,248.6
FY92	\$12,908.8	FY96	\$14,973.1
FY93	\$13,121.4	FY97	\$15,600.7
FY94	\$12,671.5	FY98	\$18,962.8
		%Change	21.6%

County Option Income

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary. (A county may adopt the County Option Income Tax or the County Adjusted Gross Income Tax, but not both.)

FY91	\$190,116.0	FY95	\$275,462.7
FY92	\$203,113.2	FY96	\$285,327.6
FY93	\$223,934.4	FY97	\$314,942.0
FY94	\$245,808.1	FY98	\$344,646.5
		%CHANGE	9.4

Estate

Based on the difference between the State Death Tax Credit allowed at the federal level and the amount paid in state Inheritance Tax.

FY91	\$13,168.5	FY95	\$ 7,168.7
FY92	\$ 2,500.0	FY96	\$ 4,383.9
FY93	\$11,054.0	FY97	\$ 8,886.0
FY94	\$ 9,709.1	FY98	\$11,241.3
		%CHANGE	26.5%

Food and Beverage

Tax determined locally for purchases of food and beverages at a rate of 1% of retail sales price.

FY91	\$16,362.7	FY95	\$20,452.6
FY92	\$16,447.5	FY96	\$21,341.0
FY93	\$18,947.8	FY97	\$22,239.9
FY94	\$20,670.1	FY98	\$23,683.5
		%CHANGE	6.5%

Financial Institutions

Based on the federal adjusted gross income at a rate of 8.5% for businesses which are engaged in extending credit, leasing (when it is the economic equivalent of extending credit) or credit card operations.

FY91	\$ 62,731.4	FY95	\$100,742.9
FY92	\$ 74,372.1	FY96	\$122,142.0
FY93	\$100,425.6	FY97	\$100,682.9
FY94	\$108,077.2	FY98	\$ 95,967.3
		%CHANGE	-4.7%

Gasoline

Per gallon rate of \$.15 for all invoiced gallons of gasoline collected by the licensed distributor and added to the selling price.

FY91	\$397,283.9	FY95	\$430,807.7
FY92	\$399,849.1	FY96	\$437,096.3
FY93	\$406,508.5	FY97	\$443,869.2
FY94	\$420,237.5	FY98	\$455,569.6
		%CHANGE	2.6%

Hazardous Waste Disposal

Based on the amount of hazardous waste (as defined by statute) placed in a disposal facility or by means of underground injection at a rate of \$11.50 per ton.

FY91	\$2,335.1	FY95	\$2,634.8
FY92	\$2,638.2	FY96	\$2,575.5
FY93	\$2,512.0	FY97	\$2,390.1
FY94	\$2,733.3	FY98	\$2,603.0
		%CHANGE	8.9%

Individual Adjusted Gross Income

Based on the federal adjusted gross income with numerous "add backs" for individual residents, partners, stockholders in subchapter S Corporations, trusts, estates and nonresidents with Indiana income sources at a rate of 3.4%.

FY91	\$2,183,972.1	FY95	\$2,767,743.1
FY92	\$2,246,760.5	FY96	\$2,966,265.7
FY93	\$2,412,471.9	FY97	\$3,197,117.8
FY94	\$2,541,895.1	FY98	\$3,433,445.9
		%CHANGE	7.4%

Inheritance

Based on the taxpayer class (transferee's relationship to deceased); property's taxable value; residency status; and situs of real and tangible property and intangible property.

FY91	\$68,364.1	FY95	\$ 98,886.3
FY92	\$84,469.5	FY96	\$ 93,767.2
FY93	\$91,146.7	FY97	\$106,470.1
FY94	\$88,604.6	FY98	\$113,141.7
		%CHANGE	6.3%

Marion County Admissions

Specific to admission to the RCA Dome in Indianapolis for any sporting event at a rate of 5% of the admission's price.

FY91	\$672.4	FY95	\$713.0
FY92	\$643.2	FY96	\$860.3
FY93	\$635.0	FY97	\$966.3
FY94	\$607.1	FY98	\$931.4
		%CHANGE	-3.6%

Marion County Supplemental Auto Rental Excise

Based on the gross retail income from the rental of passenger motor vehicles and trucks in Marion County for less than a 30-day period at a rate of 2%. Revenue from the tax is paid to the Capital Improvement Board of Managers effective 1997.

FY91	N/A	FY95	\$11,597.2
FY92	N/A	FY96	\$ 9,605.5
FY93	N/A	FY97	\$ 7,431.2
FY94	N/A	FY98	\$1,330.1
		%CHANGE	NA

Motor Carrier Fuel

Per gallon rate of \$.16 for all motor fuel used by commercial motor carriers operating on Indiana highways.

FY91	\$17,009.2	FY95	\$11,597.2
FY92	\$15,031.0	FY96	\$ 9,605.5
FY93	\$15,138.0	FY97	\$ 7,431.2
FY94	\$13,721.2	FY98	\$ 9,869.4
		%CHANGE	32.8%

Motor Carrier Surcharge

Per gallon rate of \$.11 for all motor fuel used by commercial motor carriers operating on Indiana highways.

FY91	\$71,996.4	FY95	\$78,437.4
FY92	\$64,114.0	FY96	\$67,380.2
FY93	\$64,483.5	FY97	\$61,220.0
FY94	\$60,561.8	FY98	\$93,552.6
		%CHANGE	52.8%

Motor Vehicle Excise

Specific compliance program authorized by statute aimed at locating vehicles owned by Indiana residents and registered illegally out of state thus avoiding State Vehicle Excise Tax. Based on the age and class of vehicle plus penalty and interest for the time period vehicle is illegally registered. (Except for this program, Motor Vehicle Excise Tax otherwise collected by the Bureau of Motor Vehicles.)

FY91	\$1,049.4	FY95	\$ 631.4
FY92	\$1,450.1	FY96	\$ 832.1
FY93	\$ 722.3	FY97	\$ 732.1
FY94	\$ 923.8	FY98	\$ 468.6
		%CHANGE	-36.0%

Parimutuel Admission

Imposed at \$.20 for each person who pays an admission charge to the racetrack grounds or satellite facility (*The following amounts have been verified by the Indiana Horse Racing Commission.*)

FY91	--	FY95	\$74.9
FY92	--	FY96	\$62.7
FY93	--	FY97	\$34.8
FY94	--	FY98	\$29.6
		%CHANGE	-14.9

Parimutuel Wagering

A 2% levy imposed on the total amount of money wagered on line races and simulcasts conducted at a permit holder's racetrack. The tax is 2.5% of the total amount of money wagered on simulcasts from satellite facilities. (*The following amounts have been verified by the Indiana Horse Racing Commission.*)

FY91	--	FY95	\$1,397.7
FY92	--	FY96	\$3,211.9
FY93	--	FY97	\$3,450.2
FY94	--	FY98	\$3,499.1
		%CHANGE	1.4%

Petroleum Severance

Levied against producers or owners of crude oil or natural gas imposed at the time these products are removed from the ground at a rate equal to the greater of either 1% of the petroleum value, or \$.03 per 1,000 cubic feet for natural gas and \$.24 per barrel of oil.

FY91	\$802.5	FY95	\$653.2
FY92	\$762.5	FY96	\$574.0
FY93	\$694.7	FY97	\$614.9
FY94	\$696.4	FY98	\$642.5
		%CHANGE	4.5%

Public Utility (Railroad Car Companies/Railroads)

Based each year on assessments by the State Board of Tax Commissioners on the indefinite-situs distributable property of a railroad company that provides service within a commuter transportation district.

FY91	\$3,541.4	FY95	\$4,440.6
FY92	\$3,546.6	FY96	\$4,894.7
FY93	\$3,944.7	FY97	\$5,077.9
FY94	\$4,267.1	FY98	\$5,080.2
		%CHANGE	0.0%

Riverboat Admissions

Specific to admission to any licensed riverboat on Indiana waterways at a rate of \$3.00 per person. Collection of this tax began December 1995.

FY91	--	FY95	--
FY92	--	FY96	\$4,597.7
FY93	--	FY97	\$56,262.5
FY94	--	FY98	\$90,921.4
		%CHANGE	61.6%

Riverboat Waging

A tax on 20% of a licensed riverboat's adjusted gross receipts, which are total wagers, less payouts, less uncollected gaming receivables. Collection of this tax began December 1995.

FY91	--	FY95	--
FY92	--	FY96	\$13,354.7
FY93	--	FY97	\$146,084.1
FY94	--	FY98	\$231,890.1
		%CHANGE	58.7 %

Sales and Use

Rate of 5% on purchases of tangible personal property and public utility service and some renter transactions which is collected at the retail level (except for gasoline).

FY91	\$2,154,512.7	FY95	\$2,810,403.8
FY92	\$2,216,489.3	FY96	\$2,965,275.9
FY93	\$2,340,876.4	FY97	\$3,145,959.5
FY94	\$2,600,667.8	FY98	\$3,278,755.6
		%CHANGE	4.2 %

Special Fuel

A license tax of \$0.16 per gallon is imposed on all special fuel sold or used in producing or generating power for propelling motor vehicles.

FY91	\$ 95,633.3	FY95	\$124,399.8
FY92	\$ 94,888.3	FY96	\$143,727.0
FY93	\$108,162.2	FY97	\$169,594.0
FY94	\$125,911.3	FY98	\$180,708.3
		%CHANGE	6.6%

MISCELLANEOUS FEES:

Aircraft Registration Fee

All Indiana aircraft are required to be registered with the Aeronautics Section of the Compliance Division where an annual \$10 registration/transfer is collected. A fee of \$20 or 20% of the excise tax (whichever is greater) is charged on all late registrations. Also includes aircraft dealers, \$25/annual.

FY91	--	FY95	\$70.1
FY92	--	FY96	\$68.0
FY93	--	FY97	\$68.4
FY94	\$71.7	FY98	\$70.2
		%CHANGE	2.6%

Charity Gaming Licensing Fee

Licensing fees for qualified organizations are \$25 for the first license. Second license for the same charity gaming activity is based on gross receipts of previous event. Annual license for distributors is \$2,000. Annual license for manufacturers is \$3,000.

FY91	--	FY95	\$3,264.7
FY92	\$ 184.5	FY96	\$3,635.1
FY93	\$1,582.1	FY97	\$3,997.2
FY94	\$2,557.5	FY98	\$3,950.1
		%CHANGE	-1.2%

Employment Agency Licensing Fee

A person, firm or corporation opening, operating or maintaining an employment agency must pay an annual \$150 fee for each license.

FY91	\$39.5	FY95	\$40.2
FY92	\$36.3	FY96	\$42.2
FY93	\$33.8	FY97	\$37.7
FY94	\$35.2	FY98	\$53.1
		%CHANGE	40.8 %

Hazardous Chemical Fee

An annual fee is imposed on a facility which must submit to the state an emergency and hazardous chemical inventory form. Fees are \$50, \$100 or \$200 depending on the volume of hazardous chemicals present at the facility during the year.

FY91	\$542.4	FY95	\$653.8
FY92	\$679.9	FY96	\$652.2
FY93	\$644.8	FY97	\$650.5
FY94	\$655.8	FY98	\$623.1
		%CHANGE	-4.2 %

International Registration Plan (IRP) Licensing Fee

Licensing fee for motor carriers based on miles driven in specific jurisdictions. (Formerly administered by the Bureau of Motor Vehicles.)

FY91	--	FY95	--
FY92	--	FY96	\$67,140.5
FY93	--	FY97	\$74,300.4
FY94	--	FY98	\$71,577.9
		%CHANGE	-3.7 %

Motor Carrier, Safety and Insurance Fees

Proof of insurance and documentation of safety compliance is required from all intrastate carriers who haul for hire, as well as any carrier of hazardous materials. Interstate carriers provide the same information via the Single State Registration System. An annual registration fee of \$10.00 is imposed for every vehicle registered. Additionally, all intrastate carriers who haul household goods or passengers for hire must have Indiana operating authority, which range from \$15.00 to \$100.00 depending upon the transaction.

FY91	\$1,943.1	FY95	\$2,148.2
FY92	\$1,847.5	FY96	\$2,043.1
FY93	\$1,919.5	FY97	\$2,160.2
FY94	\$1,960.9	FY98	\$1,958.7
		%CHANGE	-9.3%

Oversize /Overweight Permit Fee

Various categories of permits for motor carriers that are issued for different periods of time, based upon a vehicle's specific dimension and /or size and the travel activity. Fees can range from \$10.00 to over \$400.00. (Formerly administered by the Indiana Department of Transportation.)

FY91	--	FY95	--
FY92	--	FY96	\$ 3,701.8
FY93	--	FY97	\$ 9,844.3
FY94	--	FY98	\$11,252.7
		%CHANGE	14.3 %

Solid Waste Management Fee

Imposed on the disposal or incineration of solid waste in a final disposal facility within the state at a rate of \$.50 per ton of waste generated in the state. For solid waste generated outside the state, the rate is the greater of \$.50 per ton or the cost per ton of disposing the solid waste, including the tipping fees and state and local government fees, in the final disposal facility that is closest to the area in which the sold waste was generated, minus the fee actually charged for the disposal or incineration of the solid waste by the owner or operator of the final disposal facility.

FY91	\$1,232.3	FY95	\$3,789.6
FY92	\$2,539.1	FY96	\$3,850.6
FY93	\$3,896.1	FY97	\$4,494.4
FY94	\$3,421.0	FY98	\$4,623.0
		%CHANGE	2.9%

Underground Storage Tank

An annual registration fee is imposed on the owner of an underground storage tank. A rate of \$90 for each underground petroleum storage tank; and \$45 for each underground storage tank containing regulated substances other than petroleum. In addition to the annual fees, an owner of an underground storage tank is also required to pay an annual fee of \$200 for each underground storage tank owned.

FY91	\$8,908.3	FY95	\$ 8,344.3
FY92	\$8,039.3	FY96	\$ 6,580.6
FY93	\$7,000.5	FY97	\$ 8,481.2
FY94	\$7,564.4	FY98	\$28,758.5
		*%CHANGE	239.1%

Beginning in July 1, 1997, the oil inspection fees increased from \$.0008 cents per gallon to \$.008 cents per gallon.

Waste Tire Management Fee

A \$0.25 tire fee is assessed on each new tire sold at retail and each new tire mounted on a vehicle at the time a vehicle is sold. Imposed on tires for self-propelled motor vehicles only.

FY91	--	FY95	\$1,304.1
FY92	--	FY96	\$1,266.7
FY93	--	FY97	\$1,333.2
FY94	\$ 869.2	FY98	\$1,253.6
		%CHANGE	-6.0%

STATISTICAL STUDY FROM THE AUDIT PROCESS

This summary was compiled by the Department's Audit Division. The information is based on 100% of the audits completed, taxpayers assisted and special projects conducted by the Department during Fiscal Year 1998. The information on the following pages satisfies the requirements set forth by IC 6-8.1-14-4(2).

- Taxpayers Served In District Offices, p. 34
- Audit Division's Special Projects, p. 34
- Statute/Rules Violated By Taxpayers, p. 34
- Amount Of Tax Assessed For Violations, p. 36
- Industry Or Business Most Frequently In Violation, p. 36
- Number Of Years In The Audit Period, p. 37
- The Use Of Professional Tax Preparation Assistance By Taxpayers, p. 37
- Filing Of Appropriate Tax Returns By Taxpayers, p. 37

Taxpayers Served In District Offices

Taxpayer assistance is available in all district offices. Each office has a district office manager who performs taxpayer service functions as well as other office responsibilities. Some offices have an assistant district office manager and/or a field investigator who supports taxpayer assistance. Field investigators also perform collection functions in their districts. Intermittent employees are available throughout the year to support taxpayer assistance.

The "Taxpayer Assistance Report" (Exhibit A) provides the number of taxpayers assisted (in person and by telephone) and the amount of money collected and assessed in each office. Exhibit A reveals during Fiscal Year 1997 district offices assisted 197,674 taxpayers in person and 307,021 taxpayers through telephone contact. Total taxpayers served by the district offices is 504,695. The district office in Kokomo served 29,219 taxpayers in person, the highest number of any district office. The Merrillville District Office served 24,848 taxpayers in person, the second highest total.

The Merrillville District Office served 64,597 taxpayers by telephone while the Bloomington District Office served 34,125 taxpayers by telephone. This was the highest number of telephone contacts among the district offices, representing 21% and 11% respectively. The Merrillville District Office served a total of 89,445 taxpayers by telephone and walk-in assistance while Kokomo served 60,569 taxpayers by telephone and walk-in assistance.

"Taxpayer Assistance/Special Project Statistics" (Exhibit B) provides the number of hours devoted by field auditors in the district offices to assist taxpayers and conduct special projects. The exhibit reveals that 16,153 auditor hours were channeled in this direction.

Audit Division's Special Projects

One special project pursued by the Audit Division during the 1998 Fiscal Year deserves mention: Project Comply IV. The Comply IV project is summarized below.

Project Comply IV

This project commenced at the conclusion of Project Comply III and was conducted statewide. These audits identified candidates that were usually small and would normally not meet the criteria for a regular audit examination. The results of Project Comply IV are:

Audits Completed	994
Assessments	\$1,255,151

Refunds	\$ 123,667
Average Hours Per Audit	19.7

Exhibits C, D, and E (pages 38-40) contain the amount of assessments (refunds) and violations of the gross income tax, sales tax and adjusted gross income tax administrative rules, respectively. "Total assessments" for any tax type represent gross assessments less amounts refunded.

Statute/Rules Violated By Taxpayers

Gross Income Tax Violations

The most frequently violated gross income tax rule found in Exhibit C is 45 IAC 1-1-96. This rule defines gross receipts from services. Such receipts include all amounts charged for labor and expenses that form an integral part of the completion of the contract. Violations of this rule accounted for 12.03% of all violations of the gross income tax rules in the statistics. This was also the most frequently violated rule in the previous three studies, accounting for 12.26%, 12.07% and 12.76% of the violations during those fiscal years.

The second most frequently violated gross income tax rule is 45 IAC 1-1-120. This rule defines taxable and nontaxable shipments of goods into Indiana from other states and accounts for 7.71% of the violations of the gross income tax rules. Rule 45 IAC 1-1-120 was also the second most frequently violated rule in our 1994 and 1996 studies but ranked third for the 1997 study.

Ranking third in Exhibit C and accounting for 6.39% of the gross income tax rule violations is Rule 45 IAC 1-1-8. This rule defines receipts to mean the entire gross income or gross receipts derived from all sources and which are actually or constructively received by a taxpayer, credited to the taxpayer or paid to a creditor by another party. This rule ranked as the second most violated rule in the 1997 study with 5.65% rate of error.

Sales/Use Tax Violations

Analysis of Exhibit D and previous statistical studies reveals the three most violated sales and use tax rules are the same for fiscal years 1998, 1997 and 1996. The rules are shown below with their percentage of total violations for the three years.

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Number one			
45 IAC 2.2-3-4	16.52%	18.87%	19.15%
Number two			
45 IAC 2.2-3-20	12.55%	11.61%	13.77%
Number three			
45 IAC 2.2-5-8	10.20%	10.71%	9.96%

Rule 45 IAC 2.2-3-4 imposes use tax on “tangible personal property, purchased in Indiana, or elsewhere in a retail transaction, and stored, used, or otherwise consumed in Indiana . . . unless the Indiana state gross retail tax (sales tax) has been collected at the point of purchase.” This rule was violated 687 times during the 1998 Fiscal Year as opposed to 775 times for the 1997 Fiscal Year.

Rule 45 IAC 2.2-3-20 states that if the seller of tangible personal property for storage, use, or consumption in Indiana fails to collect the appropriate tax, the purchaser of such property must remit use tax directly to the Department. This rule accounted for 522 violations for the 1998 Fiscal Year while 477 violations occurred for the 1997 Fiscal Year.

The third most violated sales and use tax rule is 45 IAC 2.2-5-8. This rule clarifies the sales and use tax by providing examples of taxable and nontaxable sales of manufacturing machinery, tools, and equipment used in direct production and other activities. The failure of taxpayers to comply with this rule accounts for 424 of the 1998 fiscal year violations. This rule accounted for 440 violations during the 1997 fiscal year.

Corporate Adjusted Gross Income Tax Violations

Exhibit E reveals that corporate taxpayers violated the adjusted gross income rule, 45 IAC 3.1-1-97, more than any other rule. This rule addresses the returns and reports that must be filed by adjusted gross income tax withholding agents. Violations of this rule accounted for 20.92% of the total violations. This was also the most violated rule in the 1996 and 1997 studies and accounted for 18.87% and 22.14% of the total violations.

Rule 45 IAC 3.1-1-8 was the second most frequently violated rule under this study. This rule states that “taxable income” as defined in the Internal Revenue Code is modified in several ways to arrive at Indiana adjusted gross income. These violations account for 16.58% of the total violations. This rule was also the second most frequently violated adjusted gross income tax rule in 1996 accounting for 15.9% of the total and for 1997 representing 17.35% of the total violations.

The third most frequently violated rule found in Exhibit E is 45 IAC 3.1-1-9. This rule deals with the adoption of modifications as defined in the Internal Revenue Code. More specifically, it allows a net operating loss as a deduction in computing Indiana Adjusted Gross Income (IRS Code Section 172). This rule accounts for 7.07% of the violations of adjusted gross income tax rules. The 1997 violations for this rule also ranked third with 7.96%.

Amount Of Tax Assessed For Violations

The amount assessed for each of these violations and the percentage of the amount to total assessments is presented below:

Gross Income Tax:

Violation	Amount Assessments	% Of All Assessments
45 IAC 1-1-96	\$1,486,127	9.94%
45 IAC 1-1-120	*(\$1,475,339)	*
45 IAC 1-1-8	\$497,954	3.33%

**Denotes Refund*

Sales/Use Tax:

Violation	Amount Assessed	% of All Assessments
45 IAC 2.2-3-4	\$4,119,135	18.19%
45 IAC 2.2-5-8	\$7,799,497	34.43%
45 IAC 2.2-3-20	\$2,095,066	9.25%

Corporate Adjusted Gross Income Tax:

Violation	Amount Assessed	% of All Assessments
45 IAC 3.1-1-97	\$1,247,953	7.70%
45 IAC 3.1-1-8	\$2,031,962	12.53%
45 IAC 3.1-1-9	*(\$1,739,199)	*

**Denotes Refund*

Industry Or Business Most Frequently In Violation

For the sixth consecutive time, taxpayers engaged in manufacturing most frequently violated the gross income tax rules. This group committed 177 violations or 32.27% of the total violations. The gross income tax rule most frequently violated by this group of taxpayers was 45 IAC 1-1-120. This rule defines taxable and non-taxable shipment of goods into Indiana from other states.

The second largest number of gross income tax violations was committed by taxpayers in wholesale and retail trade. This group committed 154 infractions or 28.95% of the total violations. Wholesalers and retailers were the second most frequent violators of these rules in the 1994, 1996 and 1997 studies. Rule 45 IAC 1-1-120 was most frequently violated by this group of taxpayers during Fiscal Years 1998 and 1997.

As in the previous seven years, wholesalers and retailers were the most frequent violators of the sales and use tax rules. The statistics indicate 1,531 violations or 36.82% of the total sales and use tax violations. The rule most frequently violated by these taxpayers was 45 IAC 2.2-3-4. As previously noted, this was the most violated sales and use tax rule in the study.

Continuing the correlation to the previous seven years, manufacturers were the second most frequent violators of the sales and use tax rules. There were 1,007 violations committed by this group representing 24.22% of the total violations. The rule most frequently violated by manufacturers was 45 IAC 2.2-5-8, which clarifies the sales and use tax by providing examples of taxable and nontaxable sales of manufacturing machinery, tools, and equipment used in direct production and other activities.

Wholesalers and retailers, with 441 infractions, were the most frequent violators of adjusted gross income tax rules. This figure represents 39.95% of the total adjusted gross income tax violations.

Manufacturers were the second most frequent violators of the adjusted gross income tax rules. Manufacturers committed 305 infractions or 27.63% of the adjusted gross income tax violations.

The wholesalers and retailers most violated rule 45 IAC 3.1-1-97 which addresses returns and reports filed by adjusted gross income tax withholding agents. The rule most violated by the manufacturers was 45 IAC 3.1-1-8 which deals with IRS Code modifications to arrive at Indiana adjusted gross income.

Special Tax Violations

Exhibit F provides the number of special tax rule violations and the amount of special tax assessments and refunds.

Article VII of the International Fuel Tax Agreement (IFTA) was the most frequently violated special tax item in the study. It specifies jurisdictions may require payment of motor fuels taxes on retail sales of motor fuels delivered into the fuel tank that propels the motor vehicle. Article VII was violated 145 times and yielded \$101,056 in refunds for the State of Indiana. This represents 25.53% of total violations.

The exhibit also reveals that Article III of the International Fuel Tax Agreement (IFTA) was the second most frequently violated section of the special tax statutes. This section specifies the taxable event is the consumption of motor fuels in the propulsion of qualified motor

vehicles, except fuel consumed that is exempt from taxation by a jurisdiction. All motor fuel acquired that is normally subject to consumption tax is taxable unless proof to the contrary is provided by the licensee. This section was violated 138 times accounting for 24.30% of the total violations. These violations resulted in assessments of \$176,775 and refunds of \$8,580.

The taxpayer group most frequently in violation of the special tax statutes and IFTA Articles was the transportation industry. This group committed 321 violations accounting for 56.51% of the total infractions. Article VII of the International Fuel Tax Agreement was most frequently violated by the transportation industry.

Miscellaneous Taxes and Penalties

Exhibit G provides the number of violations and assessment amounts of the following:

Financial Institutions Tax
Penalty and Interest Assessments
Food and Beverage Tax
Innkeeper's Tax

A review of this exhibit reveals that IC 6-3-2-2 was violated 26 times. This code section addresses corporations and nonresidents adjusted gross income derived from sources within Indiana. These violations yielded \$121,006 in net assessments.

The 23 violations of IC 6-2.1-3-24.5 yielded a total of (\$133,182) in refunds. This code section defines corporations that qualify to file as Special Corporations.

Number of Years in the Audit Period

The audit period was three years.

Use of Professional Tax Preparation Assistance

The services of professional preparers were used in the preparation of 75.5% of the corporate income tax returns and 11% of the sales tax returns. These findings remain consistent with the previous years' reports.

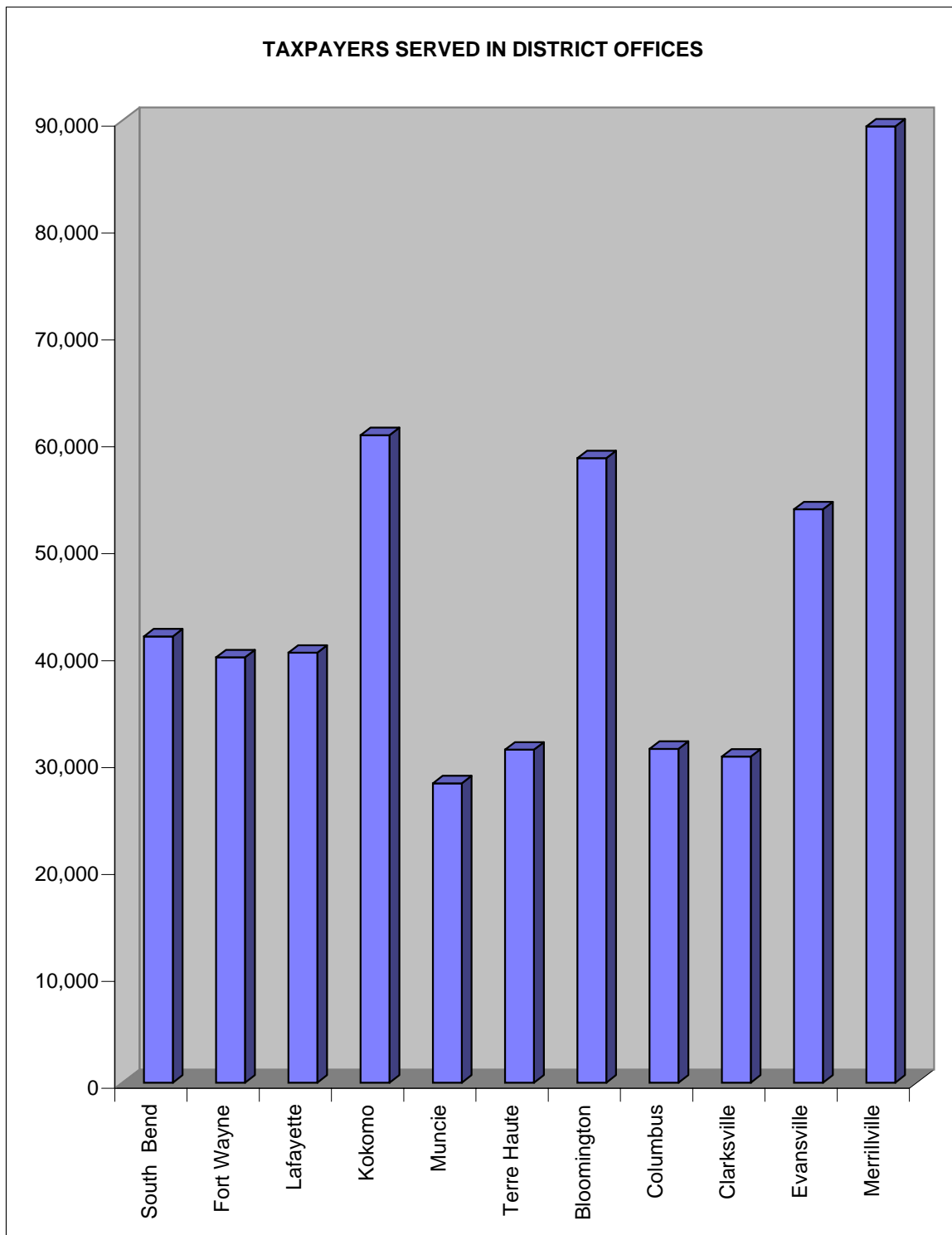
Filing Of Appropriate Tax Returns By Taxpayers

Rule 45 IAC 3.1-1-92 (Exhibit E) requires qualifying corporations to make estimated tax payments. Taxpayers in violation of this rule either failed to file estimated income tax returns or failed to remit the appropriate amount of tax. For the fiscal year ending in 1998, the study indicates 23 violations of this rule, resulting in net assessments in the amount of \$44,360 and refunds totaling \$156,716.

Indiana Code 6-8.1-10-2.1 (Exhibit G) was violated 1 time. This section specifies the penalty to be imposed if a taxpayer fails to file an appropriate return or pay the full amount of tax due. Violations of this section in the previous year's report numbered 5.

EXHIBIT A	Taxpayer Assistance Report - Fiscal Year 97 - 98												
	Audit Division District Offices												
	South Bend	Fort Wayne	Lafayette	Kokomo	Muncie	Terre Haute	Bloomington	Columbus	Clarksville	Evansville	Merrillville	Totals	
Walk In Assistance	17,486	15,280	19,406	29,219	7,253	12,622	24,287	15,941	10,012	21,320	24,848	197,674	
Telephone Assistance	24,259	24,503	20,816	31,350	20,748	18,525	34,125	15,287	20,494	32,317	64,597	307,021	
Totals	41,745	39,783	40,222	60,569	28,001	31,147	58,412	31,228	30,506	53,637	89,445	504,695	
Collected/Assessed	1,953,525	870,153	829,899	3,246,895	1,371,127	619,315	1,629,501	1,012,360	2,129,583	1,660,482	2,152,892	17,475,732	

Exhibit B	Taxpayer Assistance/Special Project Statistics	
	Field Auditors	
	Regions	Total Hours
Region I	(South Bend, Fort Wayne, Merrillville)	5,007
Region II	(Lafayette, Kokomo, Muncie)	4,294
Region III*	(Indianapolis)	1,393
Region IV	(Terre Haute, Bloomington, Columbus, Clarksville, Evansville)	3,524
Region V	(Out Of State Auditors)	0
Region VI	(Special Tax Auditors)	1,935
	Totals	16,153
	*Represents special projects only. Taxpayer assistance provided by	
	Taxpayer Services Division	
	This field auditor information was gathered using information from regional	
	reports indicating hours charged to GA-30 number for ADM-Special Projects	
	and ADM-TSD	



RECOMMENDATIONS FOR IMPROVING TAXPAYER COMPLIANCE

- Taxpayer's Concerns & Suggestions To Department, p. 42
- Improvements In Taxpayer Communication And Education, p. 43
- Increases In The Enforcement Capability Of The Department, p. 43
- Improvements In Training Of Department Employees, p. 44

Taxpayer's Concerns / Suggestions to Department

In accordance with the Taxpayer's Bill of Rights, the Indiana Department of Revenue conducted its Annual Public Hearing on Monday, June 22, 1998, in Indianapolis. State Revenue Commissioner Kenneth L. Miller presided. As in previous years, the hearing's announcement was contained in the IT-40 Individual Income Tax Booklet, and for the first time, was posted on the Department's Internet website. Taxpayers were provided the option of attending the hearing in person or submitting written comments and concerns.

The Department has reviewed the proposals provided by the taxpayers in attendance at the hearing and their suggestions are as follows:

Distribution of Forms: A participant in the Department's VITA/TCE (Volunteer Income Tax Assistance / Tax Counseling for the Elderly) Program complemented the Department on the improved tax forms and, in particular, the creation of the IT-40EZ. He suggested, however, that the Department add envelopes to its distribution since taxpayers sometimes take an entire booklet when they only need a return envelope. He also encouraged the Department to make available a Package X, a compilation of pertinent, camera-ready tax forms, which can be sent to libraries for taxpayers to photocopy. He also encouraged the Department to display signs at form distribution locations, such as libraries and post offices, that say "the tax forms and envelopes are for individual filers." He is concerned that tax preparers are taking advantage of the distribution sites to obtain free stockpiles of tax booklets for their businesses. The Department will review the need for envelopes and signs. Future plans call for the distribution of a Package X on CD-ROM for the upcoming tax season.

Direct Deposits/ELF Filing: Another individual at the hearing had several questions about delays in direct deposits of refund checks, which is only available if the individual income tax return was electronically filed. It was explained that the Department did not experience many difficulties during this tax season, which was the first year direct deposit was offered. Some suggestions were provided such as the refund is sometimes listed as a credit on a bank statement instead of as a deposit, or the deposit will be listed from the financial institution used by the Department in transmitting the money and not the state itself. Banks should be asked to go farther back into their records to look for a deposit, instead of simply reviewing the last two weeks of transactions.

Processing Time: One taxpayer wrote that he believed the Department took too long to process his IT-

40PNR return and mail his refund. He noted that at the time of his letter, he had already received his federal refund six weeks earlier. He was frustrated and felt like his rights were "blatantly abused." In researching this particular case, the Department acknowledges that the processing of IT-40PNRs was not as timely as in some tax seasons; however, the taxpayer in question was issued a refund in mid-May. The Department is committed to expeditious processing of refunds and believes taxpayers, for the most part, saw a much-improved tax season compared to the previous year. Furthermore as a safeguard for taxpayers, state statute requires interest to be paid on all refunds when the return is received prior to April 15 and the return is not processed prior to July 15.

Homeowner's Deduction: A taxpayer encouraged the state to implement a tax deduction similar to the renter's deduction for single homeowners with low income stating that she felt "penalized for owning a home, being poor and single." The Department would have to study the fiscal impact of this proposal but notes that the taxpayer, who acknowledges paying property tax and interest on her home loan, would be allowed to deduct those two items on her federal return. In turn, this lowers her federal adjusted gross income (AGI). Since the Indiana return starts with the federal AGI, those deductions would already be reflected for state tax purposes.

Additional Exemption for Dependent Child: One taxpayer drew attention to the definition of "dependent child" in reference to a new exemption of \$500 allowed on the 1997 individual income tax return. The taxpayer noted that she is the legal guardian of her grandchild, but could not take the extra exemption since the definition referred to a dependent child as "a son, stepson, daughter, and/or stepdaughter." The Department notes that the definition for dependent child for federal purposes, for purposes of the new exemption and for purposes for the earned income credit all differ. All are defined by statute and would require action by the Legislature.

Interest Income: A taxpayer wrote that interest income should not be taxed. The Department points out that Indiana mirrors the federal statutes and does, in fact, tax interest income. Any change would require approval by the Indiana General Assembly.

E-Mail / Rounding of Dollar Amounts: One final letter addressed two points. The first was the suggestion to include the Department's e-mail address in the instruction booklet. The other point concerned preprinting double zeros in all the cents columns on the

tax form to guarantee that taxpayers round each dollar amount. Though the specific e-mail address was not contained in the booklet, the Department did print and emphasize our Internet address. The website contains several opportunities for a taxpayer to contact the Department via e-mail and depending on which page of the website will direct the e-mail to the appropriate Revenue employee for a response. In regard to rounding, the Department encourages the taxpayer to round off the report amounts to the nearest dollar. Rounding can reduce mathematical errors, but it is not mandated by law.

Improvements In Taxpayer Communication And Education

Statistics from the 1997 processing year revealed that 56% of paper documents received for processing at the Returns Processing Center were some form of a computer generated substitute. Additional statistics showed that more than 50% of all returns filed, including those electronically filed, were handled by professional tax preparers. With those statistics in hand, the department made a concerted effort to expanded education and communication with professional tax preparers.

- The “Indiana Tax Dispatch”, a quarterly newsletter, was developed and is being distributed to over 4,500 professional tax preparers.
- An area of the Department’s Internet site was established as a “specialized resource” for tax practitioners. It contains items like special *News Flashes*, copies of the “Indiana Tax Dispatch”, and links to the Indiana Code.
- The Department and the Indiana District of the IRS held joint quarterly “Procedural and Administrative Workshops.” In fiscal year 1998, workshops were held in Southport, Lafayette, and Columbus.
- A toll-free “800” telephone number was established for tax practitioner’s to provide them with easier access to the Department when assisting their clients.

For the general public, the Department focused on education through the redesign of the 1997 IT-40 tax booklet and the creation of the IT-40EZ tax form. Instructions were further simplified and a special “New” logo was used to draw attention to new legislative and administrative changes on the form and in the instruction booklet.

The Department held it’s first ever “Media Day” at the Returns Processing Center on April 15, 1998. The goal of the event was to have media relay to the public the actual processing procedures of the Department and provide them with helpful hints for filing their returns.

Ongoing projects geared toward improving taxpayer communication and education include: Tax Practitioner Institutes; QFIT (Quality For Indiana Taxpayers) Annual Seminar; the Yes! (We have tax forms) Program; and the Speaker’s Bureau which coordinates speakers on tax topics for professional membership organizations and non-profits.

Increases In The Enforcement Capability Of The Department

The Department’s Criminal Investigation Division conducts investigations of alleged violations of Indiana tax laws and secures necessary evidence to determine civil liabilities or to recommend criminal prosecution. In addition, this division works to enhance the overall agency efforts to collect and enforce those taxes falling under the administration of the Indiana Department of Revenue.

This division continues to enforce the program for fuel dyeing in the State of Indiana. In conjunction with the Indiana State Police, there have been several arrests made involving trucks using dyed fuel on the highways.

This division also monitors charity gaming operations throughout the state. During fiscal year 1998, the charity gaming activities of several not-for-profit organizations were investigated. As a result of these investigations, 18 not-for-profit organizations were assessed civil penalties for statute/rule violations and income tax assessments were imposed against the noncomplying organizations.

Other areas of monitoring and enforcement for this division include the Motor Vehicle Excise Tax, which collects the tax from Hoosiers who plated their vehicles outside of Indiana. This money is eventually returned to the county where the taxpayer legally resided.

Improvements In Training Of Department Employees

The Personnel Division

During the past year, the Personnel Division's Training Section taught 126 classes involving 2,448 Department of Revenue participants. These classes included the following core curriculum classes required for all of the more than 100 new employees hired this year: *ABC's of Discrimination*, *Basic Ethics*, *Customer Service*, *New Employee Orientation 101*, and *New Employee Orientation 102*. In addition, all Revenue employees attended a class on the **1997 Taxpayer Browsing Protection Act** and the Department's policies on security and confidentiality. Another 213 employees also attended the Department's *Preventing Violence In The Workplace* class.

Supervisor training was a major focus of the Training Section during the past year. Nine classes explaining the terms of the new AFSCME and UNITY labor settlements were attended by 179 supervisors and administrators. *The Myers-Briggs Type Inventory* was administered to 178 employees, mainly supervisors and administrators. 136 supervisors and administrators attended a class on progressive discipline, while another 58 supervisors attended the *Supervising Potentially Violent Employees* class. In addition, approximately 40 supervisors participated in a year-long seminar on supervision and leadership.

The Training Section also continued an active Training Advisory Council to address the Department's training needs; coordinated efforts with other State agencies to develop curricula and to jointly purchase materials; maintained an active membership in the State Training and Development Alliance; and administered the enrollment of Department employees in courses offered by State Personnel and other agencies or vendors. Plans for 1998-99 include revising the employee handbook, providing all employees the opportunity to take the *Myers-Briggs Type Indicator*, and continuing to enhance the already extensive employee orientation program established this year.

Employee Reclassifications

In an effort to better serve Indiana taxpayers and to assure that employees' job responsibilities and compensation are in alignment with the State Personnel Department's job classification system, the Department of Revenue has undertaken the task of having employees complete job analysis questionnaires and evaluating those questionnaires. Upon review, an employee's position classification may be upgraded, revised, or unchanged. As of June 30, 1998, approximately 380

employees had completed the job analysis questionnaires. At the time this report was written, the vast majority of those questionnaires had been sent to the State Personnel Department for review and evaluation. Final action on those questionnaires is expected within the next few months.

Department's Annual Tax Conference

The 1997 Annual Tax Conference was held October 8th and 9th. The annual conference is designed to provide Indiana Department of Revenue personnel with information relevant to the agency's latest developments and services, ongoing projects, as well as reviews current procedures for processing tax returns.

This main focus of this year's conference dealt with the individual income tax form/booklet revisions (including new legislation), the new Returns Processing System and the anticipated changes to the business tax return processing for the upcoming year. A total of 400 employees, representing all 16 departmental divisions, attended this year's conference.

Training Continues On Department's "Y2K-Compliant" Returns Processing System

The Department's implementation of a new Returns Processing System, with Year 2000 compliance features, was a phenomenal task last year. During fiscal year 1998, the Department continued to train its employees on the functions of the system as new capabilities were added on to the system this year. At the close of fiscal year 1998, some 300 employees had participated in training on the handling of corporate tax and business tax licensing; last year, employees were trained on the system's functions for processing individual income tax returns.

Audit Division Training

Regional seminars were presented to the in-state field auditors as a part of the Audit Division's Continuing Education Program at the end of 1997. Topics included sales and use taxes, automobile dealer licensing and leasing, electronic auditing, and charity gaming audits. The out-of-state auditors also attended a regional meeting in September 1997 that featured topics on financial institution tax, sales and use taxes, EDI (Electronic Data Interchange) audits and processing procedures.

Training was presented in January 1998 for newly-hired Special Tax auditors. They were trained on the use of computers when conducting audits, auditing techniques, tax law, and report writing. Following training, the new auditors accompanied experienced auditors out on assignment as a part of on-the-job training.

AUDIT EXHIBITS

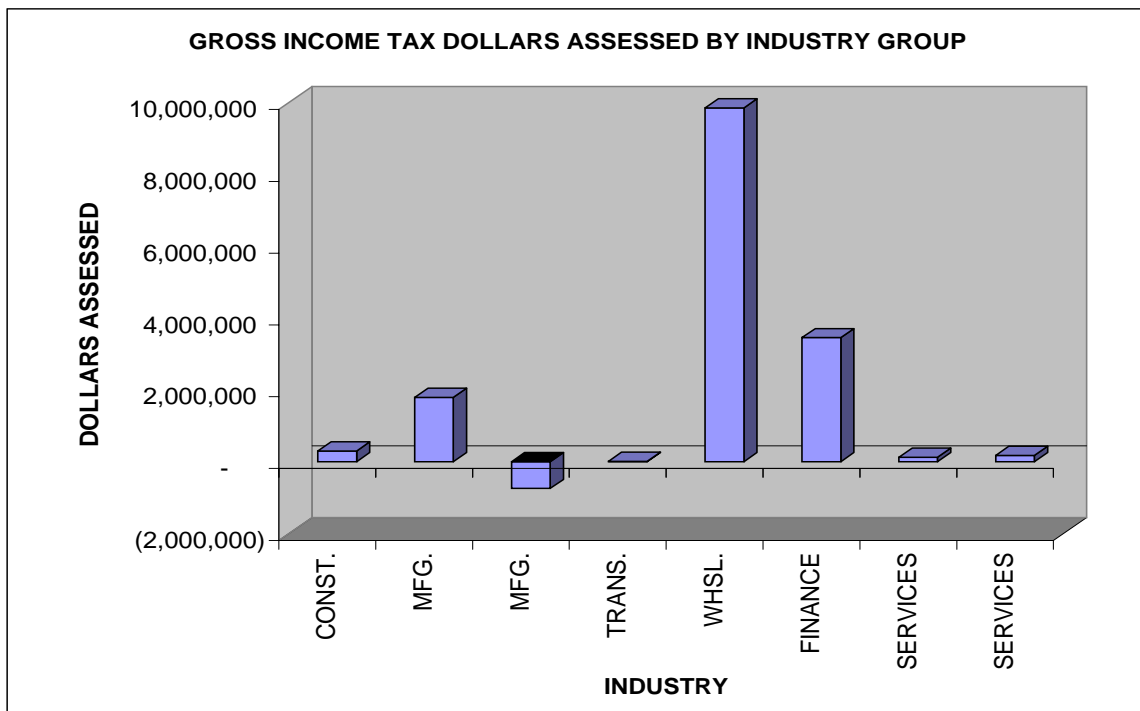
The following pages (46-60) feature Exhibits C through G. The exhibits display the amounts of assessments (refunds) and violations of the gross income tax, sales tax, and adjusted gross income tax administrative rules, respectively. "Total Assessments" for any tax type represents gross assessments minus amounts refunded.

DOLLARS ASSESSED IN 45 IAC CITATIONS BY INDUSTRIAL CODE
GROSS INCOME TAX AUDITS

EXHIBIT C	CONST.	MFG.	MFG.	TRANS.	WHSL.	FINANCE	SERVICES	SERVICES	
Sum of RESULTS	IC								
CITATION	1	2	3	4	5	6	7	8	Grand Total
45 IAC 1-1-10		376,000			100				376,100
45 IAC 1-1-100	156,812	16,800			115		89,951	(1,216)	262,462
45 IAC 1-1-101	(147,691)		1,152			149		(9,508)	(155,898)
45 IAC 1-1-102	9,400	3,789	60,166			1,415,855	(1,559)	18,246	1,505,897
45 IAC 1-1-103							1,009	4,900	5,909
45 IAC 1-1-105	1,600		12,653						14,253
45 IAC 1-1-107	38,605	53,746	4,545		4,124,665	819,858		41,857	5,083,276
45 IAC 1-1-110		(7,400)				258		37,169	30,027
45 IAC 1-1-111							23,825		23,825
45 IAC 1-1-112		917			221,900		(852)		221,965
45 IAC 1-1-115			31,674						31,674
45 IAC 1-1-116	(36)	(22)			194,027		(51,157)		142,812
45 IAC 1-1-118	(2,563)	(38,008)	(14,985)		(181,205)			(160)	(236,921)
45 IAC 1-1-119		20,065	(82,708)		91,313			(25,893)	2,777
45 IAC 1-1-120	31,000	598,297	(1,308,854)	9,565	(504,389)		(752)	(300,206)	(1,475,339)
45 IAC 1-1-121	181,800		12,633	10,725		700	(9,911)	10,305	206,252
45 IAC 1-1-123				(5,052)					(5,052)
45 IAC 1-1-124							(1,542)		(1,542)
45 IAC 1-1-126					4,705			14,197	18,902
45 IAC 1-1-127			(4,569)						(4,569)
45 IAC 1-1-128		24,500							24,500
45 IAC 1-1-129								400	400
45 IAC 1-1-13		46,370	(812)		4,839		(1,473)		48,924
45 IAC 1-1-14			(23,700)		(2,985)		(3,965)	(9,919)	(40,569)
45 IAC 1-1-141		94,500			(30,698)				63,802
45 IAC 1-1-147			(2,113)						(2,113)
45 IAC 1-1-15			231		(1,100)			1,533	664
45 IAC 1-1-150				3,461					3,461
45 IAC 1-1-155		4,500							4,500
45 IAC 1-1-159		11,000			814,134	9,440		4,931	839,505
45 IAC 1-1-164					8,728				8,728
45 IAC 1-1-165					(3,074)				(3,074)
45 IAC 1-1-166		2,833			999,071				1,001,904
45 IAC 1-1-17		7,082	7,667		526,912	(29,686)		31,344	543,319
45 IAC 1-1-171			(4,300)						(4,300)
45 IAC 1-1-172		(18,995)			(36,890)			20,800	(35,085)
45 IAC 1-1-18		2,886							2,886
45 IAC 1-1-19					7,600		41,257	11,871	60,728
45 IAC 1-1-20			(1,351)						(1,351)
45 IAC 1-1-21		100	16,524		5,216	144,457			166,297
45 IAC 1-1-213	6,898	731	6,660	3,732	69,172			24,413	111,606
45 IAC 1-1-214			13,000						13,000

DOLLARS ASSESSED IN 45 IAC CITATIONS BY INDUSTRIAL CODE
GROSS INCOME TAX AUDITS

EXHIBIT C	CONST.	MFG.	MFG.	TRANS.	WHSL.	FINANCE	SERVICES	SERVICES	
Sum of RESULTS	IC								
CITATION	1	2	3	4	5	6	7	8	Grand Total
45 IAC 1-1-215	1,188				478				1,666
45 IAC 1-1-22	376	5,092	2,641		70,908			24,785	103,802
45 IAC 1-1-25				100					100
45 IAC 1-1-26		53	556		1,195				1,804
45 IAC 1-1-27					125				125
45 IAC 1-1-28		1,322	88,673	351	736,540	817	6,692	88,201	922,596
45 IAC 1-1-29		116			174,077				174,193
45 IAC 1-1-30		91	631		1,012,482				1,013,204
45 IAC 1-1-31		3,392			(3,415,515)	153			(3,411,970)
45 IAC 1-1-32	14,447	132			3,667,449			1,200	3,683,228
45 IAC 1-1-33		(289)							(289)
45 IAC 1-1-34		2,900			200	59,015			62,115
45 IAC 1-1-45						31			31
45 IAC 1-1-47			11,000						11,000
45 IAC 1-1-49			(11,032)		395	104,499	(1,147)	(30,842)	61,873
45 IAC 1-1-51	(1,571)	357,530	91,984	(16,935)				661	431,669
45 IAC 1-1-54						14,601			14,601
45 IAC 1-1-55		3,800							3,800
45 IAC 1-1-61				19,310	8,606	12,303			40,219
45 IAC 1-1-63						402,664			402,664
45 IAC 1-1-66						(1,435)			(1,435)
45 IAC 1-1-7			(2,581)		(624)				(3,205)
45 IAC 1-1-71						2,111			2,111
45 IAC 1-1-72						74,155			74,155
45 IAC 1-1-73						(13,088)			(13,088)
45 IAC 1-1-77					3,110				3,110
45 IAC 1-1-8	5,246	18,055	61,782	(27,950)	9,632	433,119	(16,805)	14,875	497,954
45 IAC 1-1-83			18,000						18,000
45 IAC 1-1-84			4,000						4,000
45 IAC 1-1-85			14,569					(6,400)	8,169
45 IAC 1-1-86		(5,194)	80,079	200	120,825			79,307	275,217
45 IAC 1-1-87							17,700		17,700
45 IAC 1-1-88		174,924	8,114		3,541			(58,409)	128,170
45 IAC 1-1-9			166		18,363	1,426			19,955
45 IAC 1-1-94								1,900	1,900
45 IAC 1-1-96		26,766	110,599	14,900	1,129,236	4,020	18,521	182,085	1,486,127
45 IAC 1-1-97			49,773		1,270		16,090		67,133
Grand Total	295,511	1,788,381	(747,533)	12,407	9,854,449	3,455,422	125,882	172,427	14,956,947



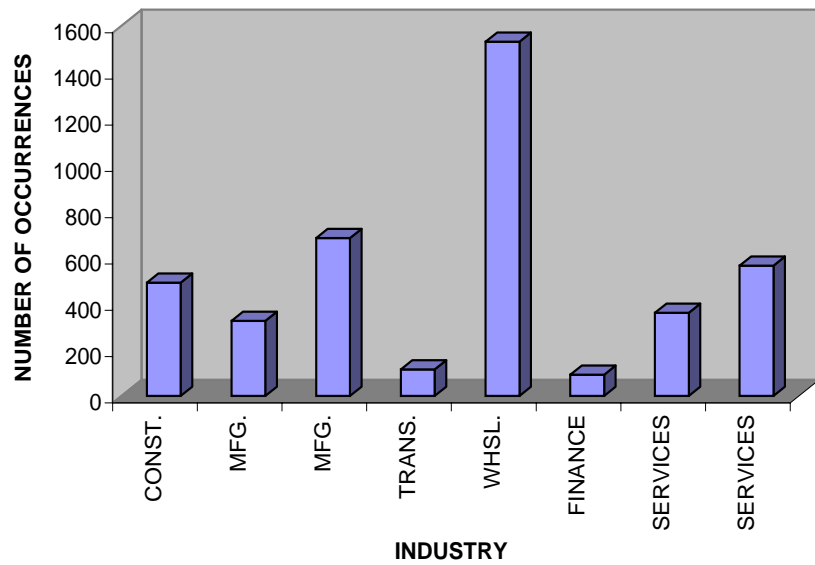
DOLLARS ASSESSED IN 45 IAC CITATIONS BY INDUSTRIAL CODE
SALES/USE TAX AUDITS

EXHIBIT D	CONST.	MFG.	MFG.	TRANS.	WHSL.	FINANCE	SERVICES	SERVICES	
Sum of RESULTS	IC								
CITATION	1	2	3	4	5	6	7	8	Grand Total
45 IAC 2.2-1-1	402	106,227	4,360	8,273	118,614		3,236	2,499	243,612
45 IAC 2.2-2-1	3,003		7,368	2,017,333	416,782		30,925	59,046	2,534,457
45 IAC 2.2-2-2	7,112	38,800	23,569	12,323	194,945		10,719	331,131	618,599
45 IAC 2.2-2-26	606				2,845				3,451
45 IAC 2.2-2-27			591						591
45 IAC 2.2-2-3	(1,246)				(2,012)			7,394	4,137
45 IAC 2.2-2-5								2,600	2,600
45 IAC 2.2-3-10	(18,943)				1,480				(17,463)
45 IAC 2.2-3-11					3,605		12,486		16,091
45 IAC 2.2-3-12	42,411	400	3,108	(1,006)	30,110	476	400	10,882	86,780
45 IAC 2.2-3-13	4,583	47,155	42,016	193	20,193	1,800	7,039	28,125	151,103
45 IAC 2.2-3-14			(190)	(400)					(590)
45 IAC 2.2-3-15	1,527	7,831	6,726	3,156	21,152	3,200	71,382	8,675	123,649
45 IAC 2.2-3-16			(79)			15,907			15,828
45 IAC 2.2-3-18			406		21,471	115		26,623	48,615
45 IAC 2.2-3-19			4,388		30,272			11,769	46,429
45 IAC 2.2-3-2		773			3,683			94	4,550
45 IAC 2.2-3-20	108,210	171,356	611,104	110,005	499,213	42,842	114,571	437,765	2,095,066
45 IAC 2.2-3-21					2,448				2,448
45 IAC 2.2-3-22					141				141
45 IAC 2.2-3-23	250								250
45 IAC 2.2-3-24	254		29,667		28,146	579	1,670	21,350	81,666
45 IAC 2.2-3-25	(1,626)	454	2,665		45,362		628	700	48,183
45 IAC 2.2-3-26	(1,549)								(1,549)
45 IAC 2.2-3-27	3,685	158	30		2,694	25	3,260	74	9,926
45 IAC 2.2-3-3					15,333			405	15,738
45 IAC 2.2-3-4	98,411	436,261	780,219	166,478	1,438,574	454,501	315,352	429,339	4,119,135
45 IAC 2.2-3-5	3,878	6,740	23,502	5,145	24,148		2,335		65,748
45 IAC 2.2-3-6					750				750
45 IAC 2.2-3-7	7,867				1,271		200	12,239	21,577
45 IAC 2.2-3-8	49,730	2,525	6,394		7,967	6,858	39,663	5,138	118,275
45 IAC 2.2-3-9	158,791	9,986	83,069		35,155	733	1,308	93,779	382,820
45 IAC 2.2-4-1	67,682	33,912	44,644	576	208,054	670	24,702	135,345	515,585
45 IAC 2.2-4-11				1,941	99			3,300	5,340
45 IAC 2.2-4-12								36,909	36,909
45 IAC 2.2-4-13	(13,312)	(94,559)	(329,994)		(156,841)			(5,118)	(599,824)
45 IAC 2.2-4-14				(4,910)	45		(6,323)		(11,188)
45 IAC 2.2-4-15					48,380		(381)		47,999
45 IAC 2.2-4-16					28,000				28,000
45 IAC 2.2-4-2	28,305	239	37,771	8,700	24,163	3,152	9,347	(22,654)	89,023
45 IAC 2.2-4-21	36,480	52,704	6,748		(266)		887		96,553
45 IAC 2.2-4-22	103,337		63,557		787		12,170	10,648	190,499
45 IAC 2.2-4-23	(44)		(3,508)		10,027				6,475
45 IAC 2.2-4-24			3,072		123,235				126,307
45 IAC 2.2-4-25	32,534	2,000			3,406			1,452	39,392
45 IAC 2.2-4-26	251,404	6,296	6,016	5,918	10,465		432	20,728	301,259
45 IAC 2.2-4-27	57,875	44,757	56,907	38,423	162,818	8,296	171,223	(171,577)	368,721
45 IAC 2.2-4-28		1,474		223					1,697
45 IAC 2.2-4-3			(210)		59,228		833		59,851
45 IAC 2.2-4-30					772			312	1,084
45 IAC 2.2-4-32				7,989					7,989
45 IAC 2.2-4-34					780				780
45 IAC 2.2-4-35								119,415	119,415
45 IAC 2.2-4-4	(200)	(1,639)			(1,141)			126	(2,854)
45 IAC 2.2-4-8		75	7,765	4,482	4,575		41,283	1,746	59,926
45 IAC 2.2-4-8.			204						204
45 IAC 2.2-4-9		140			753		1,359		2,252
45 IAC 2.2-5-1					868			2,430	3,298
45 IAC 2.2-5-10	18,000	1,703	139,338		39,383		16,903	57,332	272,659
45 IAC 2.2-5-11			(24,188)		(74,200)			(1,407)	(99,795)
45 IAC 2.2-5-12	24,335	(141,890)	8,546	13,452	(266,736)		(17,480)	(32,833)	(412,606)

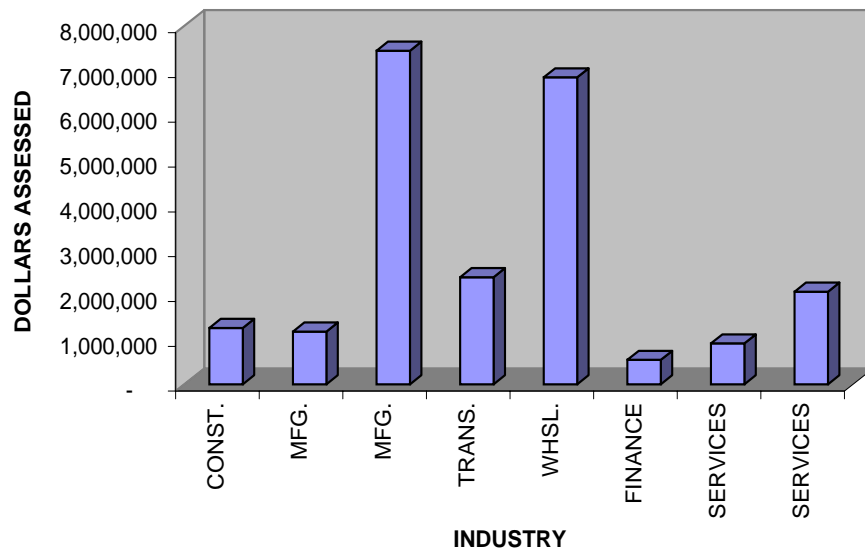
DOLLARS ASSESSED IN 45 IAC CITATIONS BY INDUSTRIAL CODE
SALES/USE TAX AUDITS

EXHIBIT D	CONST.	MFG.	MFG.	TRANS.	WHSL.	FINANCE	SERVICES	SERVICES	
Sum of RESULTS	IC								
CITATION	1	2	3	4	5	6	7	8	Grand Total
45 IAC 2.2-5-13			(3,500)	(400)	6,763		1,080		3,943
45 IAC 2.2-5-14		(15,563)	(3,119)	18,900	(126,425)		(1,142)	2,867	(124,482)
45 IAC 2.2-5-15	(45,575)	(328)	3,465	(3,200)	(54,123)	(2,571)	(136,078)	(14,480)	(252,890)
45 IAC 2.2-5-16		10,821	6,994	6,387	7,730		(19)	62,759	94,672
45 IAC 2.2-5-17					(17,300)				(17,300)
45 IAC 2.2-5-19					(700)				(700)
45 IAC 2.2-5-20				(11,800)	1,386				(10,414)
45 IAC 2.2-5-23								38,000	38,000
45 IAC 2.2-5-24		18						710	728
45 IAC 2.2-5-26	4,464	8,652	28,972	4,302	7,283	6,421	2,192	16,002	78,288
45 IAC 2.2-5-27		178						2,711	2,889
45 IAC 2.2-5-28					(6,557)			(34,318)	(40,875)
45 IAC 2.2-5-3		8,651			6,379				15,030
45 IAC 2.2-5-33			471						471
45 IAC 2.2-5-35								15,476	15,476
45 IAC 2.2-5-36	100						2,000	40,919	43,019
45 IAC 2.2-5-37								1,310	1,310
45 IAC 2.2-5-38		4,128			359,509				363,637
45 IAC 2.2-5-39	(20)		(400)			(300)			(720)
45 IAC 2.2-5-4			298		12,052	100			12,450
45 IAC 2.2-5-40	67	100			37,423			262	37,852
45 IAC 2.2-5-42		643	178	201	790		98	200	2,110
45 IAC 2.2-5-43	385	621	38	1,288	109,068		3,635	25,522	140,557
45 IAC 2.2-5-45					(813)				(813)
45 IAC 2.2-5-47	(17,553)								(17,553)
45 IAC 2.2-5-53					(1,547)				(1,547)
45 IAC 2.2-5-54	(4,240)	(27,921)			(54,501)		1,268		(85,394)
45 IAC 2.2-5-55					(1,328)				(1,328)
45 IAC 2.2-5-6		16,583			51,792				68,375
45 IAC 2.2-5-61	21,062			(109,437)	(253,374)			(28,445)	(370,194)
45 IAC 2.2-5-62				1,401	1,823	1,200			4,424
45 IAC 2.2-5-63			(6,500)	(3,539)	(7,716)				(17,755)
45 IAC 2.2-5-67					68,867				68,867
45 IAC 2.2-5-68					(1,210)				(1,210)
45 IAC 2.2-5-69					15,598				15,598
45 IAC 2.2-5-70			6,952		501			(10,000)	(2,547)
45 IAC 2.2-5-8	26,013	376,721	5,599,527	17,640	1,723,808		5,275	50,515	7,799,497
45 IAC 2.2-5-9	60,695		8,960					(5,000)	64,655
45 IAC 2.2-6-1		26,333	46,599	9,180	489,793	(400)	35,755	6,817	614,077
45 IAC 2.2-6-12			(996)	525	603,256		(13,926)	43,586	632,445
45 IAC 2.2-6-13								(140)	(140)
45 IAC 2.2-6-14	62	470	162	44,779	5,577		(201)	(573)	50,276
45 IAC 2.2-6-4					4,100				4,100
45 IAC 2.2-6-8	130,579	1,130	16,001	982	458,835		126,518	52,020	786,065
45 IAC 2.2-7-2						1,600			1,600
45 IAC 2.2-7-3	4,050								4,050
45 IAC 2.2-7-6					1,200				1,200
45 IAC 2.2-8-1					(1,000)				(1,000)
45 IAC 2.2-8-12	4,349	32,960	81,500	16,200	201,981	200	16,059	160,680	513,930
45 IAC 2.2-8-15					105				105
45 IAC 2.2-8-7					107				107
45 IAC 2.2-9-2								(5,612)	(5,612)
45 IAC 2.2-9-4					5,338				5,338
45 IAC 2.2-9-5					2,561		1,769		4,330
45 IAC 2.4-4-8					2,300				2,300
45 IAC 2.2-3-12	578								578
45 IAC 2.2-3-15					60				60
45 IAC 2.2-4-27					1,100				1,100
45 IAC 2.2-5-8			12,000						12,000
Grand Total	1,258,767	1,178,074	7,443,183	2,391,702	6,851,487	545,403	914,411	2,067,568	22,650,597

SALES/USE TAX VIOLATION OCCURRENCES BY INDUSTRY GROUP



SALES/USE TAX DOLLARS ASSESSED IN INDUSTRY GROUP



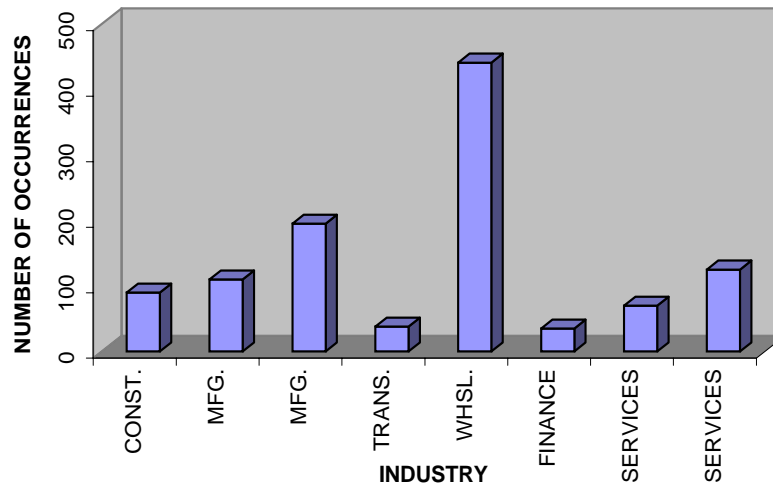
DOLLARS ASSESSED IN 45 IAC CITATIONS BY INDUSTRIAL CODE
ADJUSTED GROSS INCOME TAX AUDITS

EXHIBIT E	CONST.	MFG.	MFG.	TRANS.	WHSL.	FINANCE	SERVICES	SERVICES	
Sum of RESULTS	IC								
CITATION	1	2	3	4	5	6	7	8	Grand Total
45 IAC 3.1-1-1	5,095				294,199		7,071	7,425	313,790
45 IAC 3.1-1-100			467		1,383	552			2,402
45 IAC 3.1-1-101	10,764	(59)	1,013	(168)	1,469		1,912	(971)	13,961
45 IAC 3.1-1-103	(600)	(2,590)			(659)				(3,849)
45 IAC 3.1-1-105					1,141				1,141
45 IAC 3.1-1-106					399			1,724	2,123
45 IAC 3.1-1-107							346		346
45 IAC 3.1-1-108	1,179								1,179
45 IAC 3.1-1-109	696	120	4,528		8,691		2,886	591	17,512
45 IAC 3.1-1-110		18,500			494				18,994
45 IAC 3.1-1-111	12,181	(2,389)	3,500	3,730	175,992				193,014
45 IAC 3.1-1-115			(18,000)					(22,900)	(40,900)
45 IAC 3.1-1-153			(47,000)		1,399,289	6,640		(249)	1,358,680
45 IAC 3.1-1-18					3,000				3,000
45 IAC 3.1-1-197		1,219							1,219
45 IAC 3.1-1-2	6,289				114,707	(529)	7,921	111,365	239,753
45 IAC 3.1-1-25			170		48,600		2,720		51,490
45 IAC 3.1-1-29		520,280			9,978		375	42,700	573,333
45 IAC 3.1-1-3	841				2,745				3,586
45 IAC 3.1-1-31			2,307		1			346	2,654
45 IAC 3.1-1-34			3,142						3,142
45 IAC 3.1-1-36					135,000				135,000
45 IAC 3.1-1-37		47,476	57,448		(1,773)			(3,853)	99,298
45 IAC 3.1-1-38		(110,293)	(1,069)	3,686	(1,591)			(5,121)	(114,388)
45 IAC 3.1-1-39	(300)		8,251		1,358		112	34,988	44,409
45 IAC 3.1-1-4					315				315
45 IAC 3.1-1-40	19,277		(40,589)		14,918		(359)	9,671	2,918
45 IAC 3.1-1-41		(26,126)	(16,000)	2,277	3,494,986	(2,309)	45		3,452,873
45 IAC 3.1-1-43			25,300	2,289	31,761			443	59,793
45 IAC 3.1-1-44		400	942						1,342
45 IAC 3.1-1-45	(3,409)		27,866	2,302	(31,812)			(2,672)	(7,725)
45 IAC 3.1-1-46		1,630	14		10,404	1,300			13,348
45 IAC 3.1-1-47	2,969		6,552		(44)	182,921			192,398
45 IAC 3.1-1-48		27,694							27,694
45 IAC 3.1-1-49			2,612		10,918			3,535	17,065
45 IAC 3.1-1-5	1,037	3,094	2,600		17,594	36,330	300	5,302	66,257
45 IAC 3.1-1-50	(762)	8,935	(220)	900	44,764	(77,701)	(27,932)		(52,016)
45 IAC 3.1-1-51		11,168	2,864		(1,639)	(6,595)	(310)	(85,421)	(79,933)
45 IAC 3.1-1-52		28,232	121,802		7,163			58,651	215,848

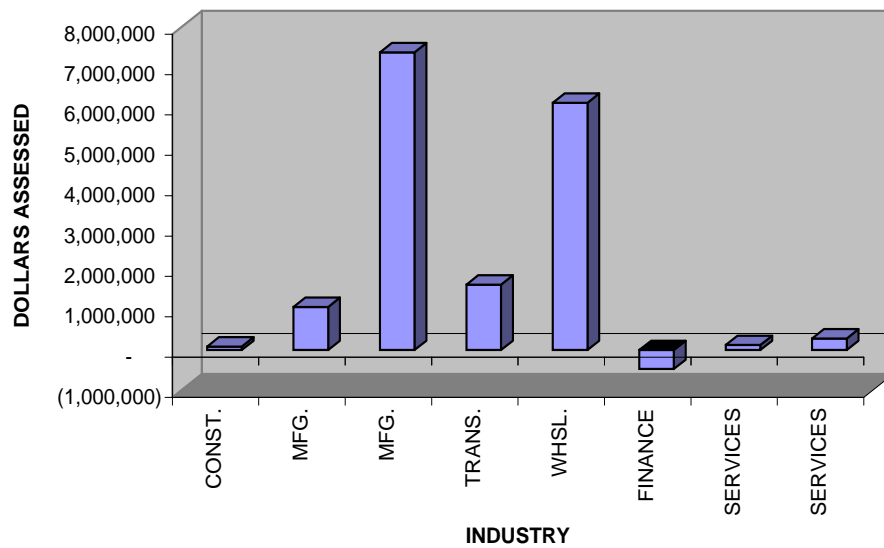
DOLLARS ASSESSED IN 45 IAC CITATIONS BY INDUSTRIAL CODE
ADJUSTED GROSS INCOME TAX AUDITS

EXHIBIT E	CONST.	MFG.	MFG.	TRANS.	WHSL.	FINANCE	SERVICES	SERVICES	
Sum of RESULTS	IC								
CITATION	1	2	3	4	5	6	7	8	Grand Total
45 IAC 3.1-1-53		1,034,424	147,104		24,729	22,590		55,143	1,283,990
45 IAC 3.1-1-55			525,000	6,082	358				531,440
45 IAC 3.1-1-56		21,407		(4,800)	1,524	1,300		(20,980)	(1,549)
45 IAC 3.1-1-57	2,400	131		610,262	(2,031)				610,762
45 IAC 3.1-1-58	(1,066)				11,222				10,156
45 IAC 3.1-1-59		1,572	482,684		193		255		484,704
45 IAC 3.1-1-6					(3,502)				(3,502)
45 IAC 3.1-1-60					479				479
45 IAC 3.1-1-61		10,763	95,003						105,766
45 IAC 3.1-1-62		22,978	4,486,345		26,820				4,536,143
45 IAC 3.1-1-63	(2,762)			2,710		6,806			6,754
45 IAC 3.1-1-64					244,000				244,000
45 IAC 3.1-1-66			150,740		80,542				231,282
45 IAC 3.1-1-67					1,206				1,206
45 IAC 3.1-1-71	1,050				(400)				650
45 IAC 3.1-1-72	(185)				2,720				2,535
45 IAC 3.1-1-74					5,593				5,593
45 IAC 3.1-1-76					1,760				1,760
45 IAC 3.1-1-79		698							698
45 IAC 3.1-1-8	12,726	(54,594)	777,133	1,052,642	141,011	67,213	50,977	(15,146)	2,031,962
45 IAC 3.1-1-86					(1,872)				(1,872)
45 IAC 3.1-1-88					159				159
45 IAC 3.1-1-9	(14,466)	(508,223)	(418,012)	(91,154)	(593,013)	(98,813)	(8,955)	(6,563)	(1,739,199)
45 IAC 3.1-1-91					(3,000)				(3,000)
45 IAC 3.1-1-92	(1,500)	(27,766)	(43,685)	(37,597)	(38,088)	44,360		(8,080)	(112,356)
45 IAC 3.1-1-93		3,408			(52,713)				(49,305)
45 IAC 3.1-1-94	286	36,270	112,228	739	392,678	(15,929)	5,044	6,605	537,921
45 IAC 3.1-1-96					6,920				6,920
45 IAC 3.1-1-97	15,655	(1,311)	904,132	67,856	82,852	12,974	61,816	103,978	1,247,953
45 IAC 3.1-2-1	17,656		6,284		(86)			2,400	26,254
45 IAC 3.1-2-2	1,326		1,112		(3,339)	(649,670)	21,493	(403)	(629,481)
45 IAC 3.1-3-1			343						343
45 IAC 3.1-3-2				11					11
45 IAC 3.1-3-8			273						273
45 IAC 3.1-3-97						10			10
45 IAC 3.1-4-39					(260)				(260)
45 IAC 3.1-4-97	(86)	(1,219)			4,020			14,354	17,069
Grand Total	86,290	1,065,829	7,375,184	1,621,767	6,124,234	(468,550)	125,717	286,862	16,217,334

ADJUSTED GROSS INCOME TAX VIOLATION OCCURRENCES BY INDUSTRY GROUP

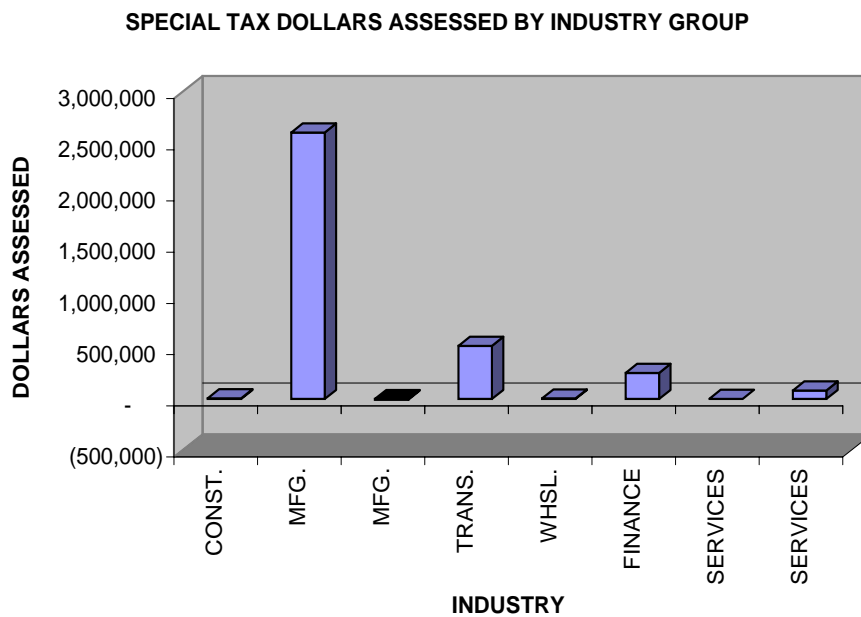
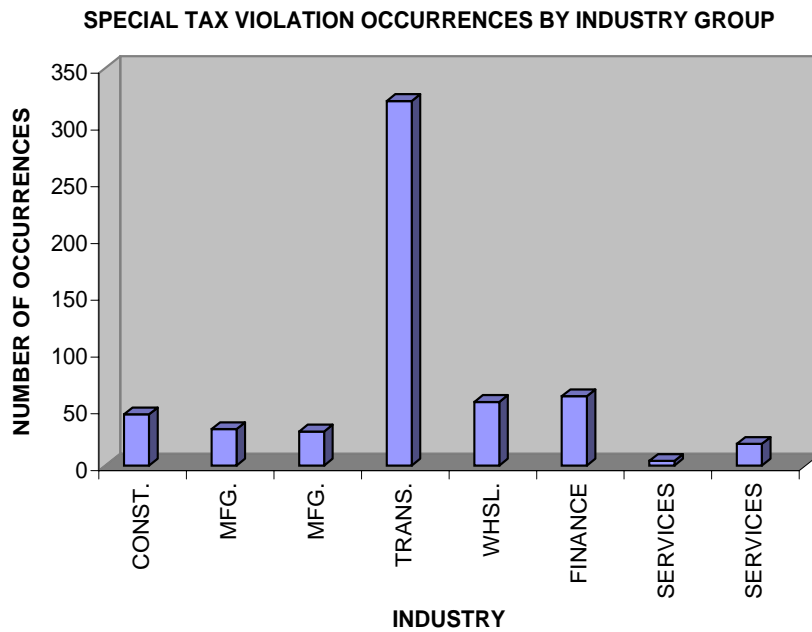


ADJUSTED GROSS INCOME TAX DOLLARS ASSESSED BY INDUSTRY GROUP



DOLLARS ASSESSED BY CODE AND ARTICLE VIOLATIONS BY INDUSTRIAL CODE
SPECIAL TAX AUDITS

EXHIBIT F	CONST.	MFG.	MFG.	TRANS.	WHSL.	FINANCE	SERVICES	SERVICES	
Sum of RESULTS	IC								
CITATION	1	2	3	4	5	6	7	8	Grand Total
Article III	(8,580)	3,904	1,505	140,665	8,070	13,011	3,603	6,017	168,195
Article III				33,091	3,852				36,944
Article IV	111	(83)		88	(287)				(170)
Article IX		506	134	19,753					20,393
Article VII	4,218	1,017	(8,960)	(56,248)	(10,129)	(7,975)	(1,680)	(21,300)	(101,056)
Article XI				143,543					143,543
IC 16-44-2-18					(53)	443		3,393	3,784
IC 6-6-1.1-201					3,222	(11,375)		1,826	(6,328)
IC 6-6-2.1-301					(11,105)				(11,105)
IC 6-6-2.5-28		1,167,254			(1,328)	12,971			1,178,898
IC 6-6-2.5-30		335,586							335,586
IC 6-6-2.5-35		1,082,167			18,177	175,176			1,275,520
IC 6-6-2.5-37		5,841			31	2,223			8,095
IC 6-6-2.5-38				4,796					4,796
IC 6-6-2.5-39								25,412	25,412
IC 6-6-2.5-62						67,530			67,530
IC 6-6-4.1-10				1,163	293				1,456
IC 6-6-4.1-2	829			(723)				33,598	33,704
IC 6-6-4.1-3				(175)				(199)	(374)
IC 6-6-4.1-4	47,400	12,167	2,261	29,656	(14,133)	(596)		1,651	78,407
IC 6-6-4.1-6	(36,289)	(6,914)	(1,344)	4,891	9,212	3,660		(932)	(27,716)
IC 6-6-4.1-9				6,634					6,634
IC 6-7-1-19				18,728				33,625	52,353
IC 6-7-2-12				58,375					58,375
IC 6-7-2-7				857					857
IC 6-8.1-5-1				111,547					111,547
IC 9-20-5-7				2,635					2,635
Grand Total	7,689	2,601,445	(6,403)	519,277	5,823	255,068	1,923	83,091	3,467,914

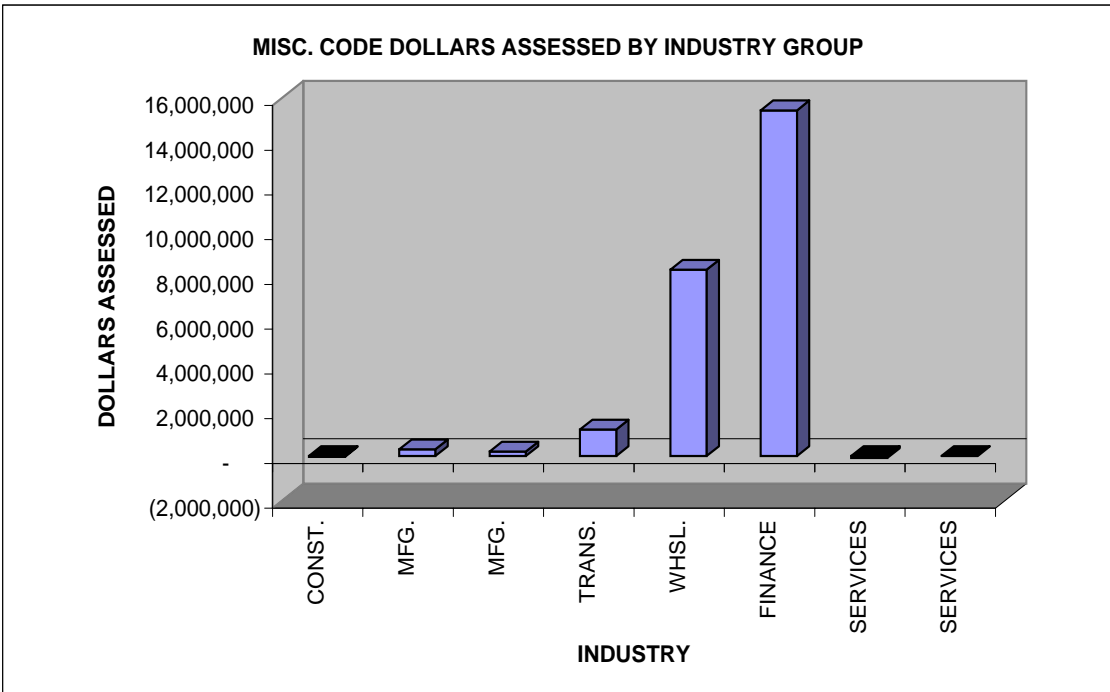
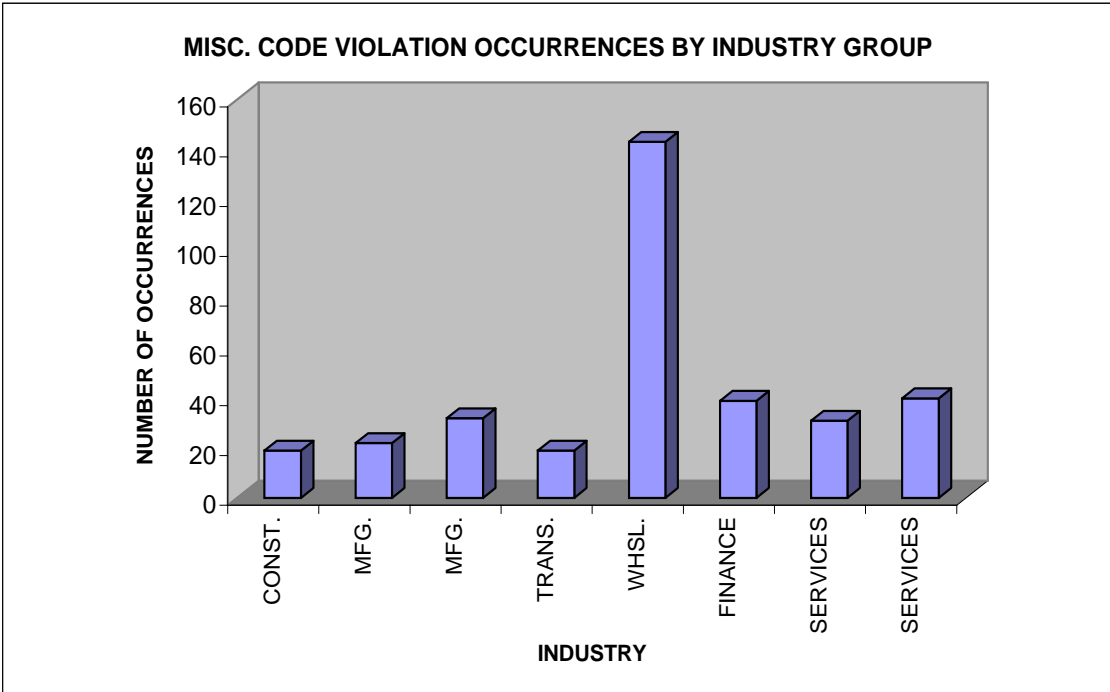


DOLLARS ASSESSED FOR MISC. CODE VIOLATIONS BY INDUSTRIAL CODE

EXHIBIT G	CONST.	MFG.	MFG.	TRANS.	WHSL.	FINANCE	SERVICES	SERVICES	
Sum of RESULTS	IC								
CITATION	1	2	3	4	5	6	7	8	Grand Total
45 IAC 15-4-1		9,917							9917
45 IAC 15-5-1					42,402				42402
45 IAC 15-5-2					8,600				8600
45 IAC 15-5-7			326		1,344,458			7,063	1351847
45 IAC 15-5-8					1,597				1596.57
45 IAC 15-7-4					5,653				5653
45 IAC 15-9-1					15,660				15660
45 IAC 15-9-2	(5,304)		532		(34,635)	(169)		(83,013)	-122588.82
45 IAC 17-2-1						97,448			97448
45 IAC 17-3-1						915,390		28,200	943589.86
45 IAC 17-3-10						113,129			113129
45 IAC 17-3-5						9,081,930	(189,541)	273,531	9165920
45 IAC 17-3-6						(3,482)			-3482
45 IAC 17-3-7						(86,475)			-86475
45 IAC 17-3-8						316,729			316729
45 IAC 18-2-3								9,300	9300
IC 13-20-13-7					1,105				1104.5
IC 13-7-23-10.3					147				147
IC 6-2.1-2-2	6,652		141,661	243,502	2,232			17,841	411888
IC 6-2.1-2-5							1,015		1015
IC 6-2.1-3-24.5	(53,029)	(5,000)	(5,600)		(32,409)		(1,855)	(35,289)	-133182
IC 6-2.1-3-3					(562)				-562
IC 6-2.1-3-32		12,082				46,077			58159
IC 6-2.1-4-3		(6,400)			27,391	5,175			26166
IC 6-2.1-5-1.1							(2,000)		-2000
IC 6-2.1-5-12								883	883
IC 6-2.1-5-2	185								185
IC 6-2.1-6-1	7,754								7754
IC 6-2.1-6-24.5	(1,394)								-1394
IC 6-2.5-2-1			350		(2,307)		6,300		4343
IC 6-2.5-2-3		2,638							2638
IC 6-2.5-3					(149,961)		1,500		-148461
IC 6-2.5-3-1					(606,058)				-606058.3
IC 6-2.5-3-2		203,651		17,726	20,543		1,600	2,706	246226.23
IC 6-2.5-3-5		(24,677)							-24677
IC 6-2.5-4-1	1,804		112	17,000	13,000		82,000		113916
IC 6-2.5-4-5					(1,950)				-1950
IC 6-2.5-4-6				103,216			9,274		112489.63
IC 6-2.5-5-18								(148,600)	-148600
IC 6-2.5-5-20			135		145,595		5,085	(49)	150766
IC 6-2.5-5-25								2,890	2890
IC 6-2.5-5-27				(27,800)					-27800
IC 6-2.5-5-35					(200)		(5,391)		-5591
IC 6-2.5-5-5.1					(2,600)				-2600
IC 6-2.5-5-54				1,000					1000
IC 6-2.5-5-6					(1,474,132)				-1474132
IC 6-2.5-5-7					(25,576)			(74,100)	-99675.65
IC 6-2.5-5-8					3,312			(13,679)	-10367
IC 6-2.5-5-9					(2,164)				-2164
IC 6-2.5-6-1					708		864		1572
IC 6-2.5-6-10				(15,602)	(1,552)				-17154
IC 6-2.5-6-7					12,016		1,110		13126
IC 6-2.5-6-8					19,282				19282
IC 6-2.5-6-9					(16,496)				-16496
IC 6-2.5-7-1					(570)				-570
IC 6-2.5-7-11					445				445
IC 6-2.5-7-5					29,672				29672
IC 6-2.5-8-9			131,800						131800
IC 6-2-1-22						678			678
IC 6-2-1-3			6,355						6355

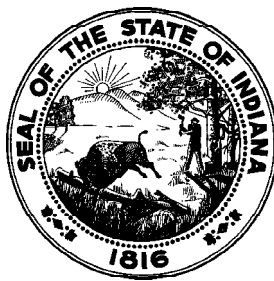
DOLLARS ASSESSED FOR MISC. CODE VIOLATIONS BY INDUSTRIAL CODE

EXHIBIT G	CONST.	MFG.	MFG.	TRANS.	WHS.	FINANCE	SERVICES	SERVICES	
Sum of RESULTS	IC								
CITATION	1	2	3	4	5	6	7	8	Grand Total
IC 6-2-1-3-24.5								197	197
IC 6-2-2.6		(3,875)							-3875
IC 6-3.1-13			(123,000)						-123000
IC 6-3.1-3.5					500				500
IC 6-3.1-4		(31,250)							-31250
IC 6-3.1-4-1					5,920				5920
IC 6-3.1-4-2					(1,496)			(684)	-2180
IC 6-3.1-4-4					10,960				10960
IC 6-3.1-4-6		(2,700)							-2700
IC 6-3.5-1-1								2,853	2853
IC 6-3.5-2-1								770	770
IC 6-3.5-6					1,243				1243
IC 6-3-1-3.5			1,169		(454)				715
IC 6-3-1-8			2,475						2475
IC 6-3-2-12		118,875	1,736	634,664	8,792,829				9548104
IC 6-3-2-2	8,176	21,525	3,440	76,440	12,040		(787)	172	121005.6
IC 6-3-2-2.3		1,236			(36,023)				-34787
IC 6-3-2-2.5		(5,573)							-5573
IC 6-3-2-2.6		10,425	(1,253)					(998)	8174
IC 6-3-4-1					13,622				13622
IC 6-3-4-14							4,900		4900
IC 6-3-4-6		2,200		139,836					142036
IC 6-3-4-8			3,576		4,000				7576
IC 6-3-4-9							3,700		3700
IC 6-3-8-1			26,111		12,394				38505
IC 6-5.5-1-17						(97,809)			-97809
IC 6-5.5-1-18						(4,900)			-4900
IC 6-5.5-1-2						589,004			589004
IC 6-5.5-2-1						51,668			51668
IC 6-5.5-2-7						(48,400)			-48400
IC 6-5.5-4-2						(27,709)			-27709
IC 6-5.5-5-1						4,506,371			4506371
IC 6-5.5-6-3						(4,200)			-4200
IC 6-5.5-6-6						1,700			1700
IC 6-8.1-10-2.1					250				250
IC 6-8.1-10-6			11,500				200		11700
IC 6-8.1-3-3								3,500	3500
IC 6-8.1-4-2	409		3,753		5,515	(39)	(318)	(149)	9170.42
IC 6-8.1-4-3				(13,605)					-13605
IC 6-8.1-5-1	5,300			5,045	11,292			600	22237
IC 6-8.1-5-4					26,200				26200
IC 6-8.1-9-1			(40)		102,974				102934
IC 6-8.1-9-2			(895)		(1,186)			(307)	-2388.24
IC 6-9-12-2					1,454				1454
IC 6-9-12-3					1,587				1587
IC 6-9-12-5					3,290				3290
IC 6-9-12-7					50				49.79
IC 6-9-20.3					(1,094)				-1094
IC 6-9-23-6					5,412				5412
IC 6-9-3-1							6,686		6686
IC 6-9-3-3							(9,487)		-9487
IC 6-9-8-2					15,962				15962
Grand Total	(29,447)	303,074	204,243	1,181,422	8,329,886	15,452,116	(85,145)	(6,362)	25349785.59



NOTES

“Committed to public trust and service”



**Indiana Department of Revenue
100 North Senate Avenue, Room N248
Indianapolis, Indiana 46204**

<http://www.ai.org/dor>

The Indiana Department of Revenue Annual Report is based on the agency's fiscal year, July 1 through June 30. The report is produced by the Department's Public Affairs Division and is designed to make information accessible to the general reader, as well as to the Governor and legislators for the state of Indiana.